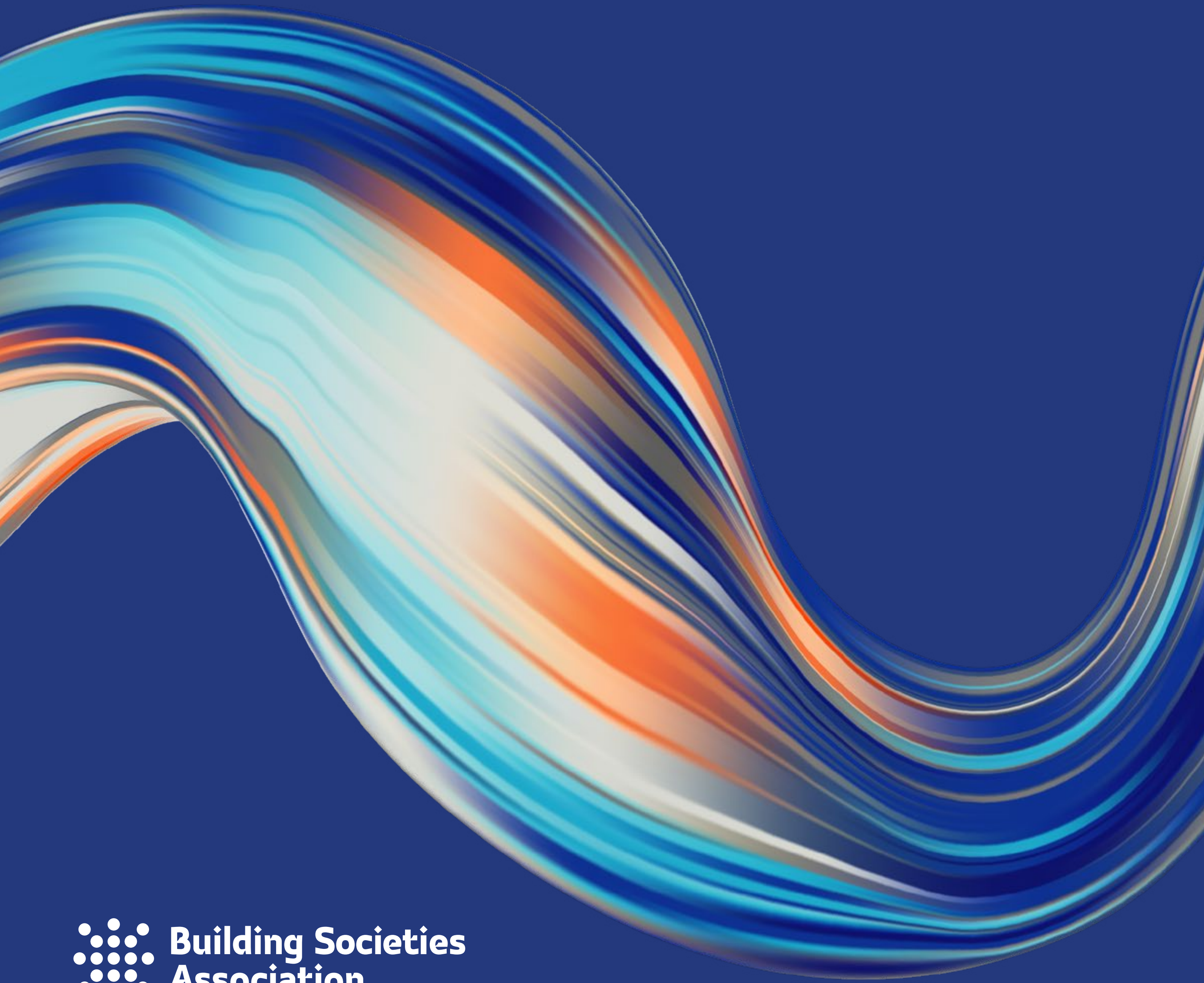


Building Societies Association

Finance for a fairer future

Reinventing customer-owned financial services

July 2026

With contributions from:

Contents

Building Societies Association

Introduction: The view from the BSA

People across the UK face serious money challenges over the next two decades. Younger generations are struggling to afford a home and build assets. Older generations need to manage retirement risk and care costs. Many face weaker financial resilience or being excluded from more automated financial services.

These are precisely the conditions mutuals were created to address. Building societies and credit unions can help more people own a home, build greater financial resilience and access trusted human judgement in an automated world. But seizing that opportunity requires change now from the sector, government and regulators.

A model born from unmet need

250 years ago, the first building society was founded in a pub in Birmingham. A group of working people could not afford to buy a home. So they saved together until they had enough to buy land and build houses for each of them. In the second half of the twentieth century, credit unions were established to serve groups, including migrants, who were excluded from traditional providers.

Building societies and credit unions are part of the same ecosystem - they play different but complementary roles. Building societies bring scale, housing finance, savings strength and deep roots in many towns and regions. Credit unions bring reach into communities and groups less well served by mainstream finance, with strength in responsible credit, payroll savings and financial inclusion.

Both were built around people helping each other to solve financial problems. By 2050, that idea may be more important than ever. The challenge is to rethink how it is delivered for a more complex world.

Three shifts shaping our lives to 2050

The BSA has consulted members, government and regulators, drawn on consumer insight and international examples, and commissioned leading consultancy firms and partners to answer two questions: how might people's lives and finances change by 2050, and what must mutuals do in response?

2050 pushes thinking beyond normal planning cycles. But it is not the deadline for action. Many of the forces described in this report will reshape the sector much sooner. Change is needed **now** for mutuals to remain relevant in the next decade.

The analysis in the Futures work points to three structural shifts in people's financial needs.

First, housing will be the central dividing line of financial security. Home ownership will become harder to reach and more dependent on family wealth and household structures will change further. At the same time, homes will become more financially demanding as people fund climate adaptation and draw on housing wealth to fund care costs or support younger family members.

Second, financial resilience will weaken further and more risk will transfer to individuals. More people will have variable and unpredictable incomes, higher debt, limited savings buffers and greater responsibility for managing their own retirement risk. More people will live with conditions that make them financially vulnerable. An ageing population will increase care, health and housing adaptation costs, while the state will not be able to underwrite those risks at the scale required.

Third, technology will radically change how people live, work and access money. AI will improve productivity and services for many, but will also create new risks: job disruption, digital exclusion, more sophisticated crime and weaker trust. As financial services become more automated and data more distributed the need for trusted human judgement will become more acute.

Financial services markets will also change

Technology, especially AI, will change how people access financial services. Mortgage applications, savings decisions and investment choices will increasingly be mediated by AI systems that compare products and transact on consumers' behalf. Digital money will transform payments. For many people this will be positive: bringing faster decisions, sharper pricing and better tools, building money confidence. But the benefits will depend on the incentives behind the technology. Models built around scale, margin and low-cost conversion will tend to favour standard, profitable customers. People with irregular incomes, weak credit histories, thin savings or complex needs may be excluded, poorly served or charged more.

The competitive environment will reward scale. Major banks and fintechs will fund data and technology investment which few mutuals can match alone. AI-enabled super-apps, whether from Big Tech or new entrants, could own the customer relationship entirely, reducing product providers to suppliers behind platforms they do not control.

Savings and mortgages may both become more challenging for mutuals. AI tools could move savings to the best rate automatically, weakening loyalty and making deposits less stable. In mortgages, larger players could use technology to enter safer specialist niches that have historically been important to mutuals.

The world is changing

Demographic and social change
UK population +72m by 2050. Over 85s double to 1 in 20 of the population.

Financial resilience under pressure
More variable incomes, higher debt, low savings buffer, stretched housing affordability and more responsibility for retirement

Technology transformation
AI reshapes financial decisions, how financial services are consumed and provided, bringing opportunity and risk

The opportunity for mutuals is not to beat banks and tech platforms at their own game. It is to serve people those models find too complex, too small, too human or too costly to serve well. Credit unions have a particularly important role in supporting people who are financially or digitally excluded, and who need responsible credit, payroll savings and trusted community-based support.

This can be a mutual moment, but purpose alone is not enough

In 2050, the UK will need institutions that can help people navigate financial problems that are real, complex and commercially underserved. These are precisely the problems building societies and credit unions were created to solve.

If mutuals cannot serve these needs, the demand will not disappear. People excluded by automated risk models will still need credit, savings support and financial guidance. Some will turn to family. Some will go without. Others will be pushed towards higher-cost and less scrupulous lenders.

This should matter to government and regulators. The Government pledged to double the size of the cooperative and mutual sector in its 2024 manifesto and delivering this commitment requires ambition to support the diverse provision of trusted, regulated, customer-owned institutions to meet needs that will otherwise be met badly, expensively or not at all.

Mutuals act in their customers long term interests, because their customers are their owners. Without external shareholders, more value can stay in the relationship: through better rates, stronger product, service and pricing, innovation, retained and trusted accessible services via branches and the telephone.

Place matters too. The pressures described in this report will not be felt evenly. Less prosperous and less digitally confident communities are more likely to face exclusion. Mutuals have an advantage because many are anchored in places and communities, not just customer segments. That community role is a strategic asset, not an outdated relic.

The sector enters this period with real strengths: public trust, market resilience, specialist lending, competitive pricing, local presence, regional economic impact and a customer-owned model that has proved durable.

In theory, people will never need mutuals more. But the mutual offer will not count if it cannot be seen and valued by people, platforms and AI agents. To remain relevant in 25 years, mutuals may need to change more than they have in the last 250. Today, the sector's purpose fits the future better than its capabilities do.

Five problems could leave mutuals unable to serve future needs:

1. **A legal and regulatory problem.**
   Building society and credit union legislation hardwires a mutual model designed for an analogue era. Today's regulation can tie up capital which could be used to support first-time buyers and underserved communities and businesses. Reform is also needed to support digital distribution, collaboration and a housing market in which mutuals can serve the needs of future members.
2. **A proposition problem.**
   People's future needs will go beyond the mortgage, savings and lending models offered by most building societies and credit unions. The sector risks failing its members unless it creates broader more relevant offers. These could relate to financial wellbeing and advice, intergenerational transfers or new forms of lending that reflect new customers' shifting needs.

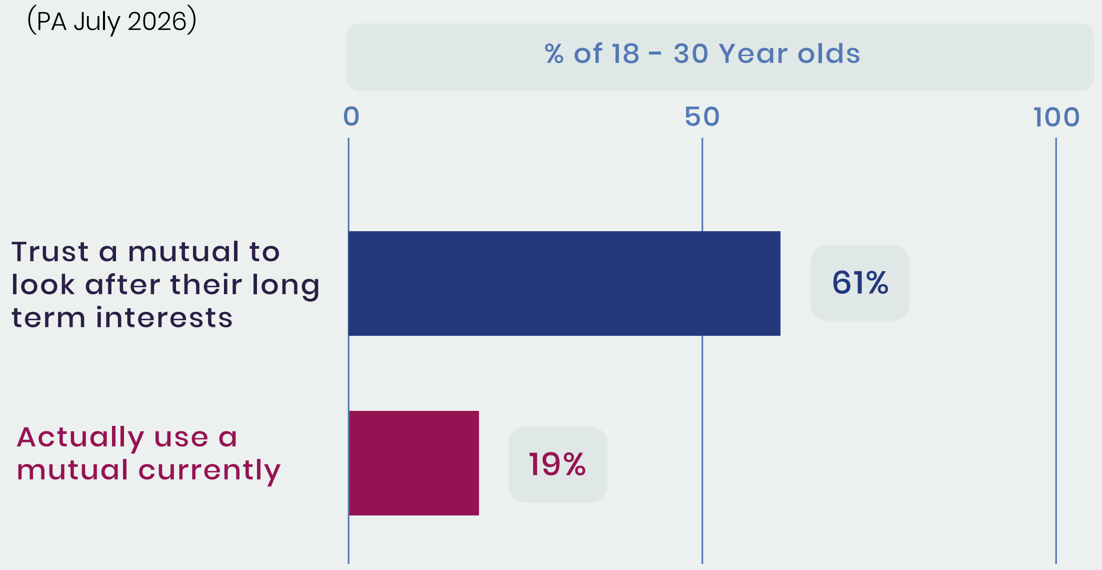
3. **Awareness problem.**
   Too few people understand what customer ownership means, why it matters, or how it could help them with the financial pressures they face. This is particularly stark among younger consumers: many are open to trusting customer-owned providers, but that trust is not yet translating into behaviour.
4. **A scale problem.**
   The minimum requirements of digital financial services are becoming more complex and expensive. AI, cyber security and operational resilience will be too costly for many societies and credit unions to solve alone. The regulatory burden, while simplified for smaller providers, is significant and growing.
5. **A skills problem.**
   AI will change the work of building societies and credit unions. The sector will need AI-fluent colleagues, boards comfortable with data and AI risk, and teams able to help less confident consumers navigate a changed market.

Without change, the sector is on a path to becoming peripheral: valued by ageing existing customers, in particular savers, invisible to future ones, and increasingly constrained by cost, capability and scale. Doing nothing is not low risk. If anything, it is the high-risk option.

That isn't just a sector problem. It is a national policy problem for housing access, financial resilience, market diversity and the affordability of state safety nets.

Research from PA Consulting suggests an action gap among younger people: they like the sound of mutuals, but don't use them at the moment

(PA July 2026)



What must change: five ambitious but realistic transformations

1. **A legal and regulatory framework fit for the modern era**
   The first reform priority is access to capital. Building societies are simple by design. They take savings from customers and use them mainly to fund residential mortgages which help people buy, and in some cases, build homes. They also increasingly support business customer lending. They do not have the same business model as large banks with trading activity, investment banking exposure or more complex financial instruments. Yet prudential regulation can still treat different institutions as if the underlying risks were the same.

   Capital held unnecessarily is capital that cannot be used productively. Banks are also arguing for lower capital requirements. But the public policy case is stronger for mutuals. Our model is simpler. The additional capital released is more likely to be invested where it will make the biggest difference socially: in support for first-time buyers, smaller businesses and under-served consumers. The cost of access to capital is also challenging and the regulatory approach to raising capital onerous. If government and regulators want to unlock lending while limiting financial risk, and reduce the barriers and costs of capital issuance, they should start with customer-owned lenders whose purpose is to serve households and businesses rather than maximise shareholder returns.

   The Government's ambition to double the mutual and co-operative sector creates an important opening. But the practical test is whether government, regulators and the sector act now to create the conditions for mutuals to grow and serve needs that the market may otherwise leave unmet. Improving access to capital is the clearest test of whether policy really supports mutual growth.

   Capital reform is not the only change required. The framework also needs to support digital distribution, shared infrastructure, collaboration, innovation in housing finance, responsible growth by credit unions and practical responses to changing consumer needs. The Building Societies Act (1986) and the Credit Union Act (1979) were transformative at the time, but neither were designed for the world now emerging.

2. **Create more innovative offers that match people's needs**
   Housing finance is already moving beyond the standard 25-year repayment mortgage. Mutuals must continue to innovate through longer intergenerational terms, better shared ownership, greater capacity to build and develop as well as buy a home, later-life lending, transfers between generations and even direct participation in long-term rental housing.

   The savings mission should expand from gathering deposits from relatively affluent savers to building real financial resilience for those who are underserved. This could include drawing on the experience of credit unions in small-value credit linked to savings, payroll emergency funds, embedded financial coaching, and long-term care planning. A better workplace savings proposition backed by government, could help younger workers build financial resilience without relying on state support. Greater levels of business banking could increase mutuals' contribution to the regional economies they serve, and broader diversification could better meet more customers' needs.

The sector can compete where Big Tech and platforms will not: the complex, the human, the long-term, and the values-driven. Used well, AI could reduce exclusion by making affordability assessment better, spotting patterns missed by blunt credit rules, and helping serve complex borrowers more efficiently. AI optimised for customer outcomes will give fundamentally different recommendations from one optimised for extracting more value from customers. Partnerships with local governments and mayoralties, consumer groups and civic society can build on regional connections and established community ties.

3. **Build a shared sector identity customers understand**

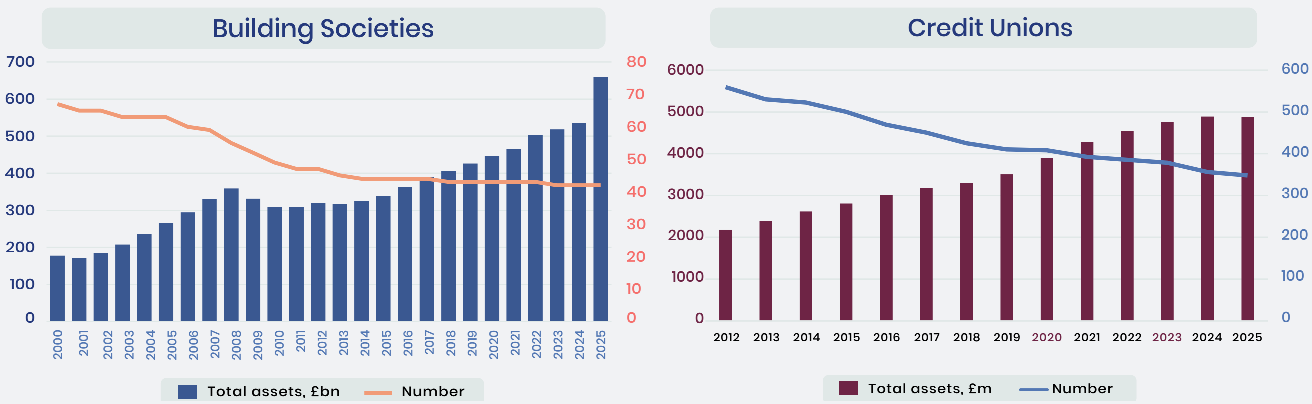
The sector needs a shared public identity that almost no society or credit union can build alone. "Mutuality" does not speak clearly to most customers, especially younger ones. It explains ownership structure, not why that structure should matter when choosing a savings account, a mortgage or financial support.

The task is to translate customer ownership into a simple, modern promise: we act in your interests. That promise needs proof: better value, choice of service - digital and human, support for underserved customers, help for first-time buyers, and commitment to local communities and regions.

As wealth transfers across generations, money may flow to the platforms younger people already use. To prevent that, the sector needs more than a heritage story. It needs a stronger brand and proposition that makes customer ownership famous and appealing.

The distinctive strength of the mutual model is customer ownership: building societies and credit unions exist to serve their members and customers, not external shareholders. This creates a powerful foundation for trust, fairness and long-term value, and a clear advantage as people look for financial services that are more transparent, responsive and rooted in real lives. To make mutuals famous and appealing they should build on their current activity to show how member voices are heard, how insight shapes decisions, and how this leads to products and services that remain relevant, inclusive and genuinely useful for the future.

Sector growth and consolidation



Though there are fewer societies since 2000, the sector has grown in size, with assets almost four times their level 25 years ago. The credit union sector has shown similar trends.

(Bank of England 2025)

4. **Build scale and resilience through collaboration**
   One test of the sector's seriousness will be whether collaboration moves from warm words to shared solutions and capability.

   Scale is becoming critical to operational and commercial resilience. The next phase needs funded, governed, operational platforms or shared capabilities that societies and credit unions can use. These should focus on the capabilities that are becoming too costly or complex to build alone such as AI, data, cyber, fraud, compliance and payments. They offer a way to pool capability while preserving identity, customer relationships and local presence. Shared or pooled resources or collective capital initiatives present additional opportunities for investment at an efficient cost.

   For some societies, collaboration may not be enough. Some may conclude that their members are best served by joining together with another society, or by acquiring scale or scope externally. In some cases, this may be the best way to protect member value, build capability and extend mutual reach. The interests of current and future members should be the guiding principle.

   The same decisions must be considered by credit union boards in coming decades. Consolidation has been a feature of the UK market and there are successful international examples of systems collaboration. The Government's Credit Union Transformation Fund provides a stimulus to collaborate on services, as well as working together and sharing good practice on marketing, operations and governance of the sector more broadly. There is also a wider opportunity for collaboration between credit unions and building societies, as well as other types of mutual.

5. **Develop the skills needed to serve customers in an AI age**
   Future colleagues will need to act as human guides in AI-enabled services: explaining decisions, spotting when something looks wrong, supporting vulnerable customers and knowing when to escalate or challenge the machine. Front-line teams will need empathy and practical judgement, backed by enough digital confidence to help customers use new AI tools safely. More specialist technical capability will be needed in data, risk, cyber, product, and governance. Boards will need enough understanding of AI, data and digital transformation to challenge management, govern risk and spot opportunities. This requires a new skills base that is more than incremental training.

   This modern skills agenda should extend to the public. AI-mediated tools may help many people manage money better, but they will leave some behind. Building societies and credit unions are well placed to help close that gap. Branches are already hubs of financial support and education. They can continue to be trusted places where people learn how to save, borrow, avoid fraud, use AI tools and make better long-term decisions.

5 challenges the sector must address	5 transformations for a stronger future
Legal: Capital and other rules should be proportionate to the sector's risks	**A modern regulatory framework**
Proposition: to meet future needs for more complex lives	**Innovative offers that match people's needs**
Awareness: Few people know the benefits of customer ownership	**Build a shared sector identity**
Scale: Costs in tech and compliance are rising	**Scale and resilience through collaboration**
Skills: Tech literacy and governance is needed, bringing opportunity and risk	**Skills for the AI and digital age**

Serving future members requires action now

The mutual sector can be one of the most important parts of the UK's financial system in 2050 because it can solve problems others will not. It can help more people into secure housing, serve complex borrower needs, rebuild savings habits, support younger customers with money confidence, older or more vulnerable customers with creative solutions and trusted services, finance home adaptation and retrofit, and preserve human judgement to complement and enhance automation.

But that future requires action from mutuals, government and regulators now. Doing nothing is a decision to let the market drift towards a model in which the people with the most complex and urgent needs have the fewest places to turn. The first building society was not created because a business saw an opportunity, but because people had a need that the market did not serve. Mutuals need to embrace change now for the same reason.

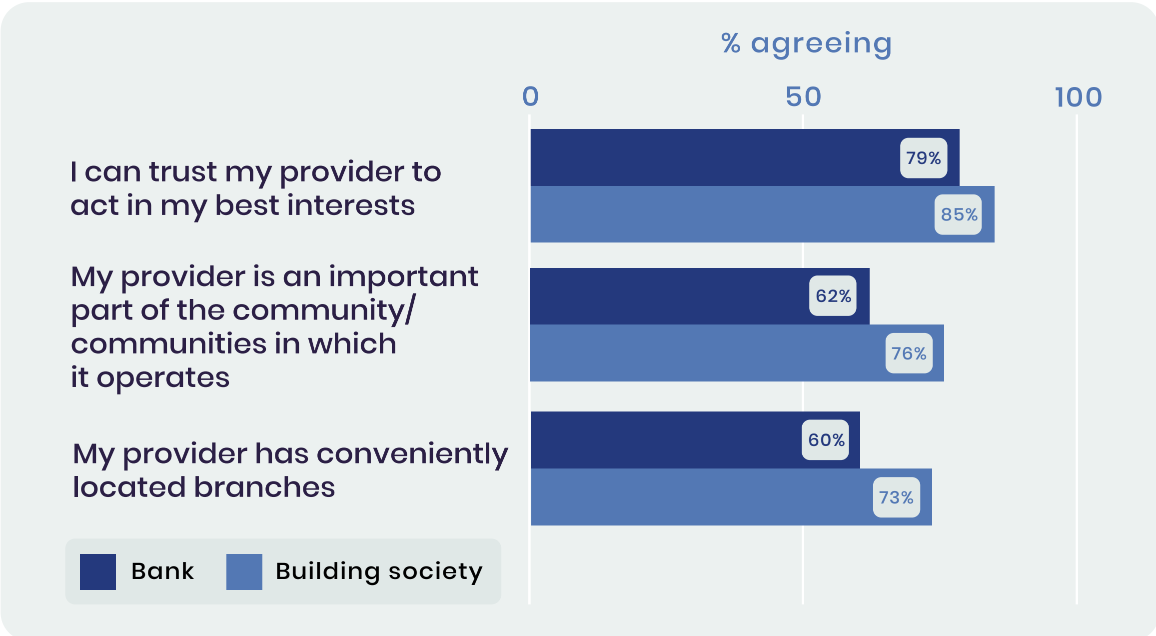
The BSA's role: representative, convenor and strategic architect

The BSA must rise to the challenge too. Representation remains important, but it is not enough. The sector needs a body that can make the case for mutuals with greater force, convene practical collaboration, and help build what no individual building society or credit union can create alone. To start this change, the BSA will focus on three priorities:

1. **Influence the policy and regulatory landscape.** Shape decisions on access to capital, legislation and regulation so customer-owned financial services providers can better meet needs around housing, financial wellbeing and inclusion.

2. **Make customer ownership famous and appealing.** Reposition customer ownership so it is meaningful across generations and shows why mutuals matter for housing, resilience, and later-life security.

3. **Turn collaboration into shared capability.** Help the sector reduce costs and build critical capability in areas including skills, technology, risk, back-office costs and cyber.



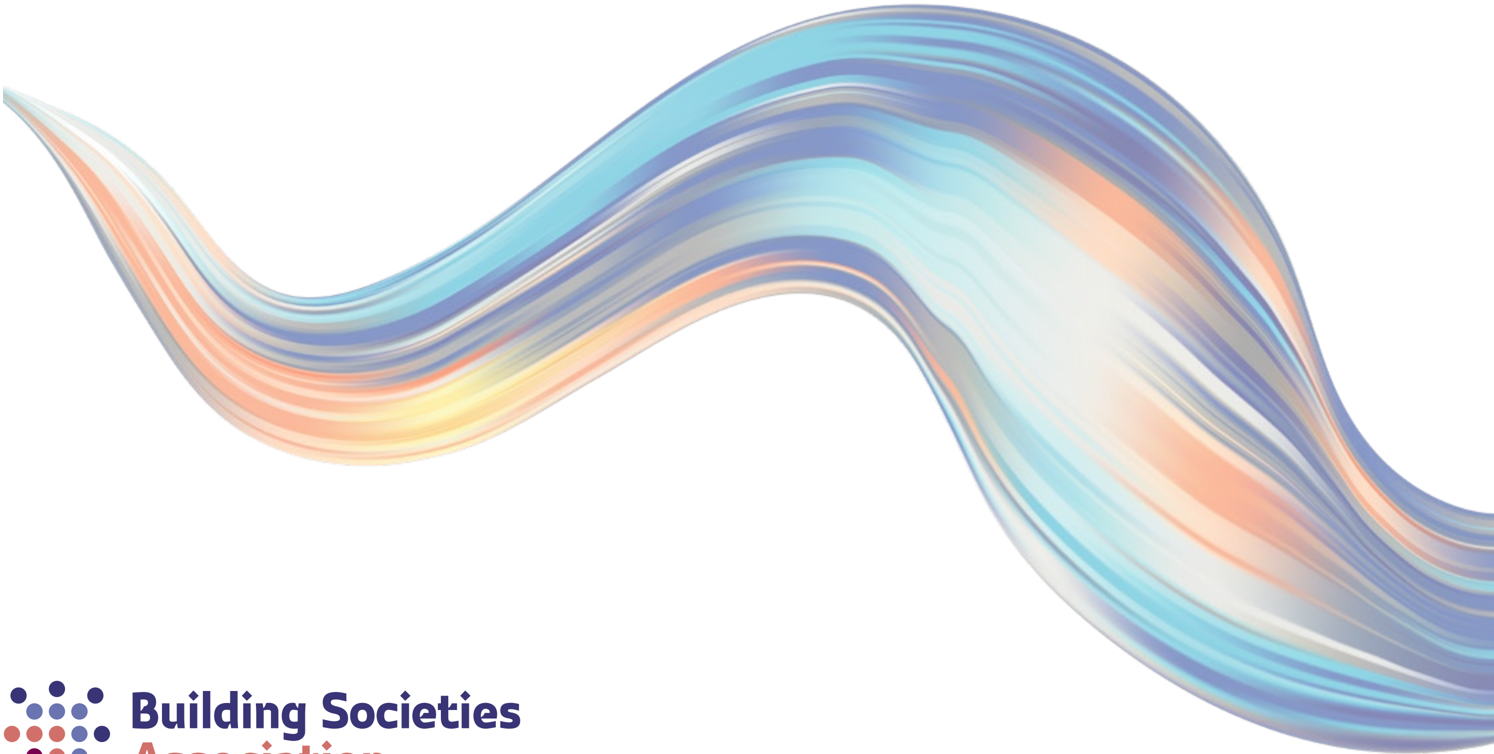
Opinium, June 2026

Customer ownership, strong values and community roots give mutuals a real opportunity to shape their future. The public trusts mutuals because they earned it, by being reliable, supportive and always acting in the interests of members, not shareholders. But trust with the next generation will not be built through a sentimental defence of an old model. It will be grown by reinventing mutuals to serve people whose needs may otherwise be poorly met by the market.

With change, societies can stay independent where it matters and act collectively where scale is essential. Government gains partners in housing, financial inclusion, and security in retirement. Regulators gain a stronger, more diverse and resilient financial system. Most importantly, a much larger number of future customers get institutions that can help them build the personal financial security that creates opportunity in a harder world.

Simon Taylor
Chair, Building Societies Association

Sarah Harrison CB MBE
Chief Executive



Building Societies Association

Reinventing customer ownership – the BSA's 5 year strategy to 2032

Analysing future trends shows that, with change, the coming years should be uniquely strong for mutuals.

The problems faced by customers along with the commensurate opportunities to solve them in new and better ways, across housing, financial resilience, trust and technology are precisely the conditions mutuals exist to address.

For the sector to respond effectively, we have described what is required, which starts with individual organisations' energy, imagination, capacity to adapt, connections to communities and their diverse models and strengths.

The sector has substantial and distinct strengths that are increasingly relevant to these issues and aspirations.

They all stem from the fundamental characteristic at the heart of these mutuals... customer ownership.

This is not a technicality – it makes a huge difference in the way every one of the 42 building societies and 348 credit unions are run. It means...

- The business's priorities are wholly in customers' long-term interests, decisions uncompromised by short-term financial targets.
- It means reinvesting money for customers that would otherwise go to external owners.
- And it leads to a set of benefits:

  - **Better value** – especially in savings interest rates, on average over time, meaning less need to watch for rate changes to avoid poor treatment
    - » 85% of building society customers say their provider offers competitive rates, compared to 80% of bank customers (Opinium, May 2026).
    - » Building society savers received £2.1 billion more in interest in 2025 than they would have earned at the average large bank rate. (BSA, Jun 2026).
  - **Better service** – being more human alongside good digital provision, so keeping branches open, making it easy to reach people on the phone or in other ways, with a helpful attitude plus offering a growing range of advice on trickier issues around money.
    - » Building societies performed better than banks on various measures of customer service in an Opinium survey of 2,000 adults. For example, 89% of building society customers agreed their provider offered good customer service; 85% agreed that their society acts in their best interest; 87% would recommend them to their family and friends; 86% said they can reach a knowledgeable human representative when needed, all higher scores than among bank customers. (Opinium, May 2026).
  - **More inclusive** – making sure the people, communities and vulnerable groups overlooked by the more automated approaches of banks, with complex or unusual needs or a preference for something more personal, get access to fair and sustainable financial support.
    - » Building societies accounted for over 360,000 mortgages to first-time buyers in the last three years (BSA June 2026).
    - » Well over half (58%) of all building society house purchase lending was to first-time buyers in 2025 (BSA June 2026).
    - » The sector is lending over £8bn on outstanding shared ownership loans and over £800m on self-build, and lent on nearly 25,000 new build properties last year, demonstrating its commitment to helping people to buy and its support for house building (BSA 2026).
    - » Over the last two years building societies have helped over 1.5 million people start to save for the first time (Opinium Dec 2025).

- **More closely connected to communities** – with an increasingly unique presence on High Streets while investing in things that matter to customers' communities. This is about making a difference people can relate to, growing support and emotional connection – the branch for my Mum who might have dementia, help for my son or daughter to get on the housing ladder, local charities with a relevant connection.
   - » Building societies now provide 35% of all UK high street branches, more than double their 14% share in 2013 (BSA, Nov 2025). 73% of building society customers say they have conveniently located branches, compared to just 60% of bank customers (Opinium, May 2026).
   - » Building societies actively strike partnerships locally and with charities to support employability skills for young people, financial education in schools, measures to fight homelessness and more.
   - » As a result, 76% of building society customers say their provider is an important part of their community, compared to just 62% of bank customers (Opinium, May 2026).
- **More diverse** – in offer, in UK presence and in approach. Across the 42 building societies and 348 credit unions, with a common purpose, ownership model and core offers, there is huge diversity in style and approach. Headquarters are based across the UK with none of the building societies and most of the credit unions not in London. Size varies widely, and so does the attitude to growth, risk and breadth of offer. This all leads to more meaningful choice for customers, more ideas and innovation from an eclectic range of perspectives, and greater resilience for the sector and for UK financial services overall, with variety a good way to counter economic, political, social and technological unpredictability.
- **Trusted** – to make decisions in customers' interests in the long run, to help customers if they run into problems, choosing not to share or sell customers' data, and acting in the interests of communities served and society more broadly, with a prudent outlook so organisations are resilient and built to last.
   - » Because building societies have no external shareholders, profits are reinvested rather than extracted. The mutual model means decisions are structurally oriented toward member outcomes rather than short-term financial targets.
   - » The major banks paid dividends of £22 billion to shareholders last year (BoE), and 82% of bank staff say that they are working to maximise profits, compared to 23% of building society workers – instead they think consumers get the largest share of the value they create (BSA 2025).
   - » The sector generated £8.3 billion in direct gross value added, contributing to economic growth across the UK (BSA, May 2026).

The Power of Customer Ownership
We put people first. Profits are reinvested, not extracted

£2.1 billion **more interest paid in savings interest than the market average**

87% would recommend to others

Supported over 350,000 **first time buyers in last 3 years**

76% of customers see us as integral to the community

1.5 million people supported to save for the first time in 2 years

35% of high street branches (vs 14% in 2013)

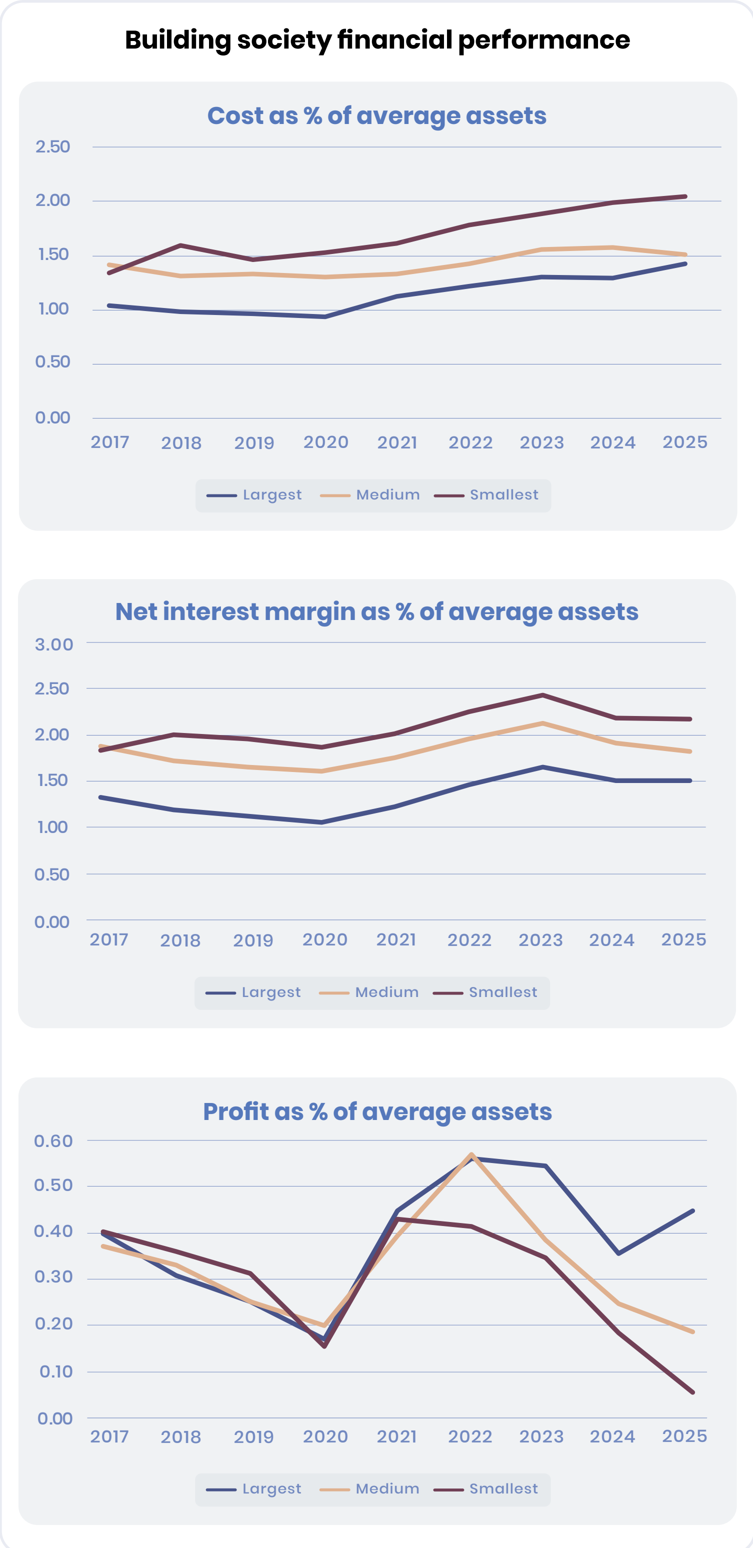
89% positive service rating

£8.3bn GVA generated across the UK economy

We reinvest profits: banks paid out £22bn in dividends last year

Given these challenges, and the benefits that the sector at its best can offer, compared to the average experiences customers have with financial services organisations, the nation would be better off and happier if the sector had a greater share of the business done in relevant areas of life.

This means there's a duty to grow, not just from the perspective of individual organisations, but on behalf of the people served.



Growth through this lens means more people becoming customers, more people becoming members. The sector can grow in size AND in influence on the UK and its social and economic health.

Through this lens, net customer growth becomes an overarching goal for the sector, good for more and more people across the country.

But at all levels of scale across the sector there's a NEED to grow too, especially in terms of financial health, recognising escalating costs and a need for margin and capital. *These costs of doing business and staying competitive are rising – investment requirements are growing, especially for the technology to compete, and the costs of regulation and audit are rising fast too. It means revenues need to increase, capital limitations be addressed, costs contained.*

While at the heart of what's needed is the energy, imagination, adaptability and diverse strengths of individual organisations, in crucial areas, it also needs collective action.

The sector's culture of sharing, openness and care is a real strength. It creates trust, generosity and a willingness to support one another. The opportunity is to channel that strength into greater pace, clearer choices and bolder, more purposeful collective action.

The question is not just what the sector risks losing if it changes, but what it stands to gain if it moves together with confidence.

By acting now, the sector can become more visible, more relevant and more capable of serving future generations. Without it, we risk accepting a peripheral role.

The pressures around cost, capability and scale are real, but they are also challenges that can be overcome through sharper focus, stronger shared identity and more practical collaboration.

This means collaborating, not as an interesting option but as something critical. The question moves on from 'whether' to 'how'.

Given this national need, this opportunity for the sector to respond, and the imperative for the sector to change and work together more substantively to be commercially competitive enough to do so.

This is where the BSA comes in.

The BSA is central to the sector and has achieved big breakthrough steps with and for the sector

The BSA exists because the mutual model needs a voice that speaks for it exclusively.
That single-minded focus is what protects the sector's interests, creates the conditions for it to grow, and makes the case for why it matters – to regulators, to government, and to the customers it serves.

The BSA can make a strong, positive impact for the sector and the people the sector serves. It has done so multiple times, setting the bar and giving confidence to do similar things in the years to come.

Over the next five years, the BSA will focus on the three areas. These have been identified as critical from our engagement with sector leaders and key stakeholders and draw on the insight from the 2050 Futures analysis that our partners have shared. They are to:

1. Influence the policy and regulatory landscape.

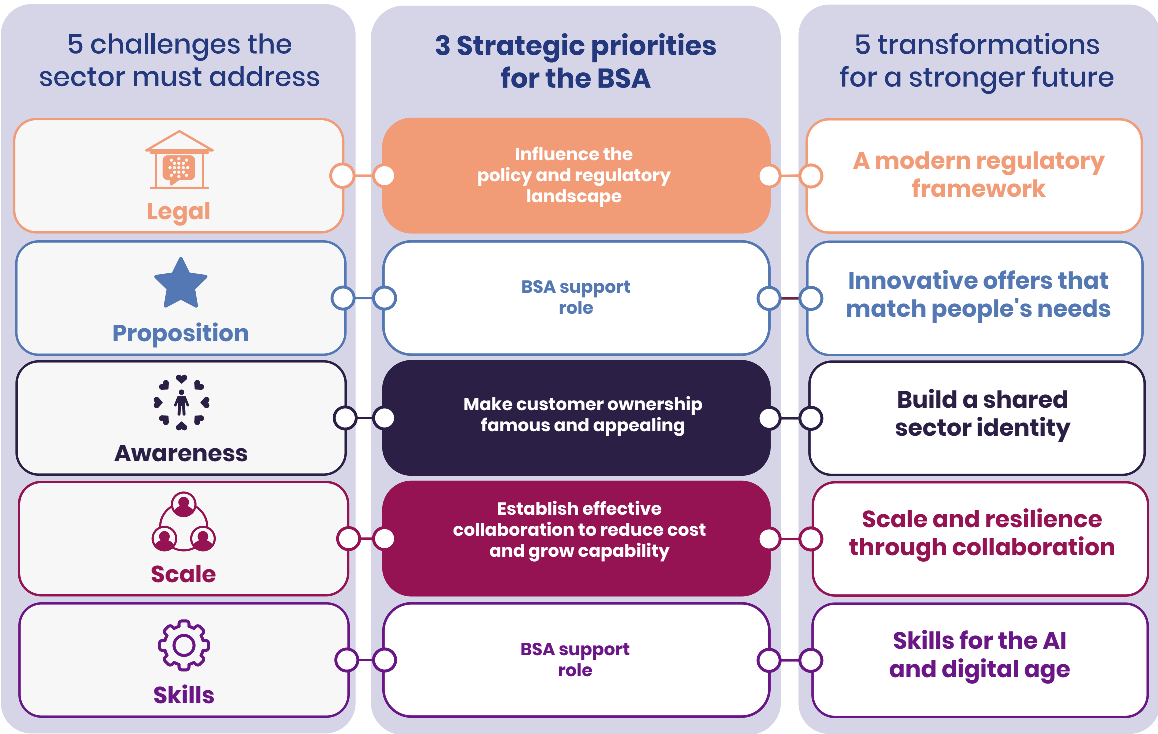
Specifically, influence and shape decisions that support access to capital and legislative change to better meet consumer needs on housing and financial wellbeing, with recognition from Government and regulators of the valuable role that customer-owned financial services providers play in meeting the needs of many in society.

2. Make customer ownership famous and appealing.

Redefine and position customer ownership so that it is meaningful and relevant to far more people across generations, especially the young, so that mutuals fully realise their potential as trusted institutions for housing, financial resilience, later life security and related needs.

3. Establish effective collaboration to reduce cost and grow capability

Turn commitment from mutual leaders to collaborate into effective collective action on a number of fronts, to transform the competitiveness of organisations across the sector, in areas including skills, technology, risk management, back-office costs and cyber.



1. Influence the policy and regulatory landscape

a) Lock in the "doubling" commitment with Government

Target: Government
The political window is open but finite. The BSA will define what doubling the mutual sector actually requires – specific capital initiatives, legislative reforms and regulatory changes – and partner with the Government to realise these objectives, and build cross-party consensus to future-proof progress beyond a single political cycle.

Actions:

- The BSA is exploring capital initiatives to support growth of the sector. This will include routes to capital issuance, pooled securitisation, or other collaborative approaches to address the challenges of high costs of accessing capital, particularly for smaller societies.
- Government support is needed, to work in partnership with the sector to design a scheme and the structure that could channel capital to smaller and medium-sized societies in need.
- There are various ways in which the Government can provide its direct support, such as by setting up a mutuals fund to invest capital into mutuals including building societies and credit unions.[1] Or it can provide indirect support for other schemes such as shared services, through guarantees. We will work with the regulators and government as we develop our thinking.

[1]A scheme could allow smaller mutuals to access capital at a price and small scale that is not economical in the existing market. The government would make a return on its investment commensurate with the risk

- This would help to deliver a more flexible approach that benefits mutuals as much as banks that already receive capital injections from the British Business Bank to support SME lending. An innovative and flexible approach is needed to support mutuals more broadly, so that they can in turn support first-time buyers and home-ownership more generally.
- This is the opportunity for the Government to demonstrate that it is serious about delivering its commitment to doubling the size of the sector.
- Government is taking welcome action to amend the legislation to remove limits on credit union growth and on building societies' funding. Further action is required on other restrictions, for example in relation to lending. The BSA and the sector will bring forward proposals for further changes to modernise and futureproof legislation, and in a way that does not put barriers in the path of innovative ways to enable sector growth.

> ***"The current regime gives the best chance ever for the sector — do it fast."***
> *Building Society CEO*

> ***"Effective communication with Government, politicians, policymakers, regulators on levelling the playing field versus the wider financial services landscape."***
> *Chairs meeting*

> ***"The motivation for growth is not egotistical. The mission is to reach more people and help them. There is a lot of untapped potential in the model."***
> *Credit Union CEO*

> ***"The next 25 years should belong to mutuals. If they do not, it will not be because the need disappeared. It will be because we failed to adapt to meet it."***
> *Building Society Chair*

> ***"There are more similarities than differences between credit unions and building societies – we would do better with one voice."***
> *Credit Union CEO*

b) Push harder and earlier on proportionate regulation

Target: Regulators (PRA, FCA, competition authorities)
Capital requirements are misaligned with the actual risk profile of low-risk mortgage lenders. PIE audit and regulatory reporting is disproportionately onerous, particularly for smaller societies.

The BSA will get upstream of consultations, shaping thinking before decisions are made, and use its hard-won PRA and FCA credibility to drive specific, proportionate outcomes. Be evidence based, be frank, be assertive, and be proactive.

Actions:

- Continue to contribute to the FPC and PRA capital review to ensure that business model diversity is promoted and the current bias in the regulatory regime against mutuals (such as the leverage ratio) is corrected.
- Ensure that true proportionality is delivered through careful implementation of the SDDT regime (no regulatory or supervisory creep over time.)

- Ensure societies have genuine freedom to set their own strategy, without any 'shadow sourcebook'.
- Remove PIE or create 'PIE lite' for smaller societies and reduce the burden of regulatory reporting.
- Ensure that the regulators support, enable and where possible incentivise BSA capital initiatives as set out in the Mutuals Landscape report.

> ***"BSA coordinate lobbying of regulators and that is tough because of the different segments in the BSA's membership. What are the real priorities for each? BSA people understand the differences and engage with each well."***
> *Building Society CEO*

2. Make customer ownership famous and appealing

a) Build a sector identity that cuts through to customers

Target: Sector and consumers
"Mutuality" does not resonate, especially with younger audiences. The sector needs to stop explaining how it is owned and start articulating the benefits such ownership brings to customers: organisations that act first in customers' interests and can be trusted.

The BSA will champion a shared sector identity – one that individual societies and credit unions can connect to and actively take forward – shifting from awareness with industry insiders to genuine public recognition of the sector's value and impact.

Actions:

- Take the mandate to develop a sector identity, learning from the sector's experience to date as well as examples from other industries and countries where organisations have voluntarily come together to promote a shared identity to consumers that has created benefit for all involved.
- Test and develop hypotheses – the starting point is to define a clear, distinctive truth, around which compelling consumer benefits can be built. Customer ownership is the strongest candidate: it translates into better value, stronger service, employee engagement, deeper community connection, greater inclusion, and, crucially, trust that decisions are made in members' interests. We will explore and share practical ways to make this more transparent and visible: how views are gathered, how they influence decisions, and how they shape products, services, policies and strategy. This will help make the value of customer ownership clear, credible and apparent to members, customers, policymakers and the wider public.
- Develop and test potential solutions along the lines of identity, so the BSA's members would take the message to consumers as a visible part of their existing consumer-facing channels, messaging and campaigns.
- Explore the potential for a complementary proposition-led approach – for example a sector-wide programme, product or activity.

> *"Build the profile of the sector with Government and regulators. Promote the sector to the wider customer base — shift from B2B to also B2C."*
> Building Society CEO

> *"Ensure that the UK population understands what mutuality is. The data is clear that some current and many future customers do not know the difference between banks and building societies. The BSA must focus a significant portion of its time ensuring that the UK population understand who we are and why we are different - why it's good for them versus shareholders"*
> Building Society CEO

> *"Awareness does not run deep enough. People often do not know what a credit union is, and it can take minutes to explain. Credit unions are naturally trusted, but penetration rates are very low."*
> Credit Union CEO

> *"Stop focusing on an ownership / governance model - customers don't understand or care. What does it mean for them - why is being a customer of a building society better for them than being a bank customer?"*
> Building Society CEO

b) Attract and retain new generations of members

Target: Sector

Parts of the customer base are ageing. Savers outnumber borrowers 7 to 1, and younger customers default to neobanks and digital tools. Without deliberate action, membership numbers will fall.

There is opportunity too. PA Consulting research that is part of the Futures work, referred to in the first chapter of this document, shows 61% of 18-30 yr olds preferring a customer-owned provider yet only 19% currently holding an account with one from our sector.

The BSA will champion the sector's digital capability, modern brand positioning and the value it offers through the products and propositions it providers so it reaches younger and digitally-native audiences and new customers in older cohorts it was previously irrelevant to. For credit unions, this means meeting broadening needs in financial inclusion.

Actions:

- Use the solution to the sector identity and work with members to focus on routes to reach new generations of consumers.

- Work with the sector and policy makers to develop big areas capable of drawing new people in, for example workplace savings and lobbying to make this more widely offered.

> *"Without current accounts, customers are older. The next generation of savers need to be actively attracted — that requires deliberate effort, not just waiting."*
> *Building Society CEO*

> *"Be a convening force and get some bold action taken — for example giving every child a mutual savings account."*
> *Building Society CEO*

> *"What are the most important very few sources of future growth that you see for your organisation? Engaging a new generation of savers."*
> *Building Society CEO*

> *"Getting to new generations with the emotional connection of branch but in a digital world; attracting those who want their money to be used for good (when they can save). It is more than 'savings habits'."*
> *Building Society CEO*

3. Establish effective collaboration to reduce cost and grow capability

a) Re-set the approach taken to sector-wide sharing and collaboration

Target: Sector

- Sector leaders are happy to work together but need facilitation to be as effective as possible. The BSA is the only body that can convene across competitive lines without a commercial interest.
- This means choosing subjects to prioritise, the people involved, then bringing discipline, energy, constructive challenge and follow-through to make the activity productive not just conversational.
- The five subject areas we believe matter most:
  1. Access to and deployment of capital
  2. Operational fitness, cyber security and technology
  3. Digital and AI competitiveness
  4. Retaining and nurturing talent
  5. Climate resilience and housing.

Actions:

- Review the current approach and re-set to focus in the most helpful sector groups on the most critical subjects and issues.

- Support CEOs and Chairs with more structured and regular forums that are smaller, more substantive, focused on strategic questions, with the BSA helping participants act on what they discuss. Organised flexibly around cohorts of people with shared interests, whether that is by size (large, medium, small), by outlook (diversifying versus focus on the core) or by subject area (growth initiatives, acquisition and integration, cyber crime, etc.)
- Develop a structured convening approach for Chairs, looking at Board governance, risk appetite, NED capability and the culture of building society boards, as significant levers for the sector's growth.
- In addition, maintaining and building on the work of sector panels of subject matter experts, for insight; policy development; shared learning and capability building and coordinated responses.

> ***"There are authentic strong relationships across the sector. People believe in the movement and growing it."***
> *Building Society CEO*

> ***"Harness people's energy and ambition to grow the sector. Create a safe forum to come together."***
> *Chairs meeting*

> ***"Facilitate sharing of learnings and insights from those societies that experience the impact/effect of different themes at different times."***
> *Building Society CEO*

> ***"There is a need for true dialogue and joining up. Credit unions have not reached out to building society leaders enough to explore the opportunities for collaboration."***
> *Credit Union CEO*

b) Develop collaboration that leads to beneficial action.

Target: Sector, Regulators and Government

The sector has had some success in collaboration but there is scope to do more. The BSA will convene and govern selected priorities with the support of the regulators, where appropriate, including via for example the Mutual Development Unit. The BSA has a central role to play as the only body that can convene across competitive lines without a commercial interest.

Actions:

- Identify the key issues where the case is made most powerfully for greater collaboration.
- Explore models for shared services and collaboration, learning from best practice in other sectors and international examples, including the CUSO model.

- Learn from where it has worked or not worked in the sector and why, and to be specific about the form it takes. This is needed so pooling resources is impactful not just aspirational. There are strong examples in the sector today of where this works, for example, almost 10 societies funding SME small housing developers to support regional economies, 7 societies resetting their common banking platform, and others exploring joint purchasing and capital raising.

> *"We share, we don't collaborate. Collaboration is on another level. People found it much easier on income generation than on cost-sharing."*
> *Building Society CEO*

> *"The opportunity to stop talking about collaboration and start using convening power to action viable initiatives – that would be a very tangible and visible measure of success."*
> *Building Society CEO*

> *"Pooling resources only works if you're clear what it means in practice. Shared IT platforms, shared buying, shared services. That's where it becomes real rather than aspirational."*
> *BSA Internal Stakeholder*

Three Internal Actions to Improve the BSA's Role and Capability

1) Sharpen focus to a few high impact priorities and success measures

The BSA will sharpen its strategic focus around a small number of high-impact priorities, with clear ownership and defined success measures for each. Every initiative will be judged against these priorities, with explicit trade-offs to maintain discipline and focus. This will enable it to demonstrate tangible outcomes, track impact effectively, and ensure accountability sits at the heart of delivery.

Actions:

- Define 3–5 strategic priorities with named owners and success metrics
- Introduce a clear 'stop/start' discipline to maintain focus
- Embed regular performance tracking and reporting against outcomes

2) Build the capability and digital infrastructure to deliver at scale

The BSA will invest in the systems, skills and infrastructure needed to operate as a modern, insight-led organisation. By implementing a CRM, modernising digital platforms and reducing manual processes, the BSA will strengthen member engagement, improve data-driven decision-making, and build a robust evidence base to support the sector's story. At the same time, the BSA will broaden and embed expertise across the organisation to enhance resilience and reduce dependency on specific individuals.

Actions:

- Implement a CRM and integrated digital systems
- Upgrade web and data capabilities to support insight and engagement
- Develop and embed organisational capability and knowledge sharing

3) Redesign the membership offer and modernise governance

The BSA will reshape its membership model to better reflect the diversity of its members. This will be complemented by a clearer, more structured Associate membership model that delivers joint value. In parallel, it will modernise governance to strengthen decision-making, align with strategic priorities, and enhance accountability, including considering the role of an independent Chair.

The BSA will also clarify the way credit union membership works so it is more valuable for all involved. The aim of this is to bring credit unions and building societies closer together by building on strengths, growing clarity, being guided by learning. The ultimate destination is 'more together' which the BSA will step towards while holding specifics lightly.

Actions:

- Reshape the membership model to better reflect the diversity of our members.
- Develop a clearer more strategic view on credit union membership.
- Create a tiered and more clearly defined associate offering.
- Align governance structures with strategy and delivery, including leadership roles.

Conclusion

This strategy sets out an agenda for change: to influence the conditions for building society and credit union growth, make customer ownership meaningful and more compelling, and turn the sector's willingness to work together into practical collaboration that builds capability and reduces cost.

This will enable the sector to be the trusted partner for people's complex financial lives. Its success will depend on pace, discipline and shared commitment from the BSA, from member leaders and from partners in government and regulation.

If we act together now, the sector can grow its relevance, strengthen its voice and help many more people to build financial security through institutions that are owned by, and run for, their customers.

The financial health of the nation's households and businesses

The reach and impact of the mutual sector

The competitive, operational and financial health of the sector

Collective action across the sector, led and actively supported by the BSA
Reinventing customer ownership – the BSA's 5 year strategy to 2032

BSA Strategic Priorities

1. Influence the policy and regulatory landscape

- Lock-in the "doubling" commitment with Government
- Push harder and earlier on proportionate regulation

2. Make customer ownership famous and appealing

- Build a sector identity that cuts through to customers
- Attract and retain new generations of members

3. Establish effective collaboration to reduce cost and grow capability

- Re-set the approach to sector-wide sharing and collaboration
- Develop collaboration that leads to beneficial action

BSA Internal Priorities

1. Sharpen focus to a few high impact priorities and success measures
2. Build capability and digital infrastructure to deliver at scale
3. Redesign membership offer and modernise governance

The opening chapters set out the BSA view and strategy.

These drew on detailed analysis and research from a range of partner organisations. These partners have explored different aspects of future trends, how these might change over coming decades, and what that might mean for building societies and credit unions.

This is set out in the following chapters, which broadly explore what consumer needs might be in the future, how people might consume services, and how both the market and the regulators might respond.

Who needs serving?

Joe Grundy, *MD and Partner*
Raoul Ruparel OBE, *Senior Director - Centre for Growth*
Charlie Martin, *Principal*
Helena Carmody Fox, *Lead Analyst - Centre for Growth*

1:
Macroeconomic and structural trends shaping member needs

Executive Summary

- The UK's path to 2050 is uncertain, but across three different macroeconomic scenarios, households are likely to face more varied, complex, and uneven financial needs. Higher interest rates than the post-financial crisis decade, persistent affordability pressures, and greater income volatility are likely to remain important features.
- Three structural trends are especially material for building societies and credit unions: a pressured housing system and longer-term renting; widening wealth inequality and growing dependence on intergenerational transfers; and more volatile incomes with weaker household financial resilience.
- These trends will polarise member needs. Some members will require more sophisticated support around housing wealth, family finance, and long-term saving. Others will need affordable credit, savings buffers, and support to access homeownership or manage irregular income.

Macro backdrop: navigating uncertainty across multiple possible futures

What is happening

Predicting the UK economy in 2050 with precision is not possible. Global megatrends including AI, geopolitical instability, climate change, demographic change, and fiscal pressure will shape the outlook, but their combined effect remains uncertain. This section therefore frames the UK outlook to 2050 as a range of plausible futures that do not account for tail risks or extreme 'black swan' events.

The UK has transitioned from a decade of low inflation and ultra-low interest rates to a period of greater volatility, with higher and less predictable rates and persistent inflation. Geopolitical instability creates upside risks to energy prices and inflation, while low productivity and limited fiscal headroom constrain growth and reduce the scope for policy support. But the trajectory is not fixed.

Three scenarios frame the potential macroeconomic environment:

Scenario 1
Low Growth (Stagnation or Decline):

Characterised by weak productivity, low migration, elevated economic inactivity and high welfare spending. The UK becomes structurally uncompetitive. Public spending rises to ~60% of GDP, while revenue stays around 40%, debt to GDP ratio is pushed to ~150%. Without meaningful fiscal reform, infrastructure deteriorates, tax burdens rise, and the state struggles to fund its health, care, and pension commitments. Interest rates are volatile (3-7%), there is stagflation (3-4.5% annual inflation with limited growth of around 1%) and real disposable income declines consistently. Benefits from AI are at the low end of current forecasts with little impact on aggregate productivity growth, meaning tech-related displacement of workers is relatively small. Slow growth is the biggest driver of unemployment and stagnant, even declining, real wages in some areas.

Scenario 2
Base Case (Continuity of Constraint):

Sluggish productivity growth (0.5% per year), varied and inconsistent AI adoption, policy instability, and limited reform prevent economic acceleration. The debt to GDP ratio settles at 90–100%, interest rates remain relatively low (1.5–2.5%), inflation hovers around 3–4%, and real disposable income barely increases (0.25%). This scenario assumes no major adverse shocks. Wealth concentrates further among older homeowners, younger generations face declining economic mobility, and regional inequalities widen as London captures a relative productivity boom on the back of its high-skilled, flexible workforce. AI adoption is concentrated in the most productive UK firms, mostly in London and the South East, who continue to pull away from the majority. The UK's long-tail of low-productivity firms acts as a structural drag, hoarding labour and capital. Large firms adopt AI to drive productivity and wages but not employment, hollowing out routine cognitive and administrative roles. Overall wages remain flat, inequality grows, homeownership polarises further by income, asset prices surge in high-productivity cities, and unemployment rises.

Scenario 3
Tech-Driven transformation (High Growth):

An AI-led productivity boom arrives and drives broad economic growth. The geopolitical environment is stable. While AI displaces some roles, overall demand rises strongly and new jobs are created; this transition completes before 2050, leaving a positive steady state. Aggregate real GDP grows at ~2–2.5% per year, the debt to GDP ratio falls below 85%, interest rates settle at ~3%, inflation holds at ~3%, and real wages rise meaningfully (~+6%).

Three scenarios for the UK economy in 2050

	LOW GROWTH Stagnation or Decline	BASE CASE Continuity of Constraint	HIGH GROWTH Tech-Driven Transformation
MACROECONOMIC INDICATORS			
Labour productivity	Declining	Stagnant (~0.3-0.5%)	Strong growth driven by productivity gains from tech (~1.5-2.5% per year)
Employment	Employment remains high due to low productivity, unemployment a bit elevated.	Unemployment rises more quickly as some workers are displaced by AI.	Employment rises quickly as demand grows fast enough to offset any AI displacement.
Interest rates	Volatile (lows of ~3.0%%, rising to ~7-8% in response to shocks)	Subdued (~1.5-2.5%)	Normalised reflecting sustained growth (3-4%)
Inflation (CPI)	Stagflationary (~3-4.5%)	Persistent, likely above BoE (~3-4%)	Controlled (~3%)
Real disp. income	Falling (-1.5%)	Flat near-zero real growth 0.25% annual growth)	Rising, wage gains and productivity outpace inflation (real wage growth +6%)
Fiscal headroom	Constrained (Debt:GDP ratio - 150-200%)	Limited restricting policy options (Debt:GDP ratio 90-100%)	Recovering, growth dividend gradually reduces debt/GDP ratio (<85% of GDP)
AI and tech disruption	AI fails to have significant impact on productivity	AI adoption piecemeal, large productivity gap between firms adopting and not	AI abundance, strong productivity growth (10%+), reduced hours worked and prices
SOCIETAL & ECONOMIC INDICATORS			
House price growth	Deflation	Modest growth, transactions below historic avg	Rising, constrained supply and demand
Home ownership trend	Decline in transactions and reduced % of homeowners	Declining, shift to long-term renting continues	Recovering, increased first-time buyer access through wage growth
Wealth inequality	Slight worsening of inequality	Polarised, tech wealth creation benefits higher earners	Everyone gains, though highest incomes gain relatively more
Household savings	Eroded with low savings rate	Low savings ratio limited buffer against shocks	Rising real incomes
Lending availability and cost	Contraction, with low demand for corporate lending despite low interest rates	Subdued, lending constrains mortgage market	Higher growth offsets borrowing costs
Consumer spending	Suppressed	Subdued, services resilient but goods spending remains constrained	Expanding, rising wages fuels consumption while prices reduce as input costs fall

DIRECTION KEY: Strongly improving Improving Stable/Flat Deteriorating Strongly deteriorating Volatile/Mixed

Source: Centre for Growth analysis | Scenarios are illustrative framings for strategic planning, not quantitative forecasts. Given long time frame there is a high degree of uncertainty towards the end of the forecast period.

Figure 1: Three scenarios for the UK economy in 2050. Source: Centre for Growth analysis. Scenarios are illustrative framings for strategic planning, not quantitative forecasts and are based on assumptions. These scenarios are focused on long term, ignoring a potentially painful medium-term transition.

Impact of scenarios

The aim of outlining these scenarios is, in part, to highlight what is likely to be common regardless. In all scenarios, many households will continue to face financial pressure and unpredictability. Interest rates are also expected to be higher than those seen in the decade post global financial crisis. As such, the mutual sector will need to cater to a wider variety of needs, given the wider gap between the financially resilient and excluded. The following sections dig into specific trends around housing, wealth inequality and income volatility/financial resilience.

1. Housing system under pressure and rise of long-term renting

The UK housing system remains under structural pressure. Persistent undersupply continues to support high price-to-income ratios, while higher interest rates constrain affordability. Average house prices increased by 4.2%[1] annually between 2015 and 2025, while the annual value of mortgage approvals grew at 3.2% over the same period[2]. Homeownership among working adults aged 25–34 fell from 57% to 39% between 2002 and 2022[3].

Entry into homeownership will be delayed, mortgage terms will extend into later life, and more households will rent for longer or never be able to afford to own a home. At the same time, the buy-to-let market will become more professionalised as smaller landlords exit and larger portfolio or institutional landlords expand.

Implications for member needs

- First-time buyers will be even older, more stretched, and more likely to rely on variable income or family support.
- More members will need flexible routes into ownership, including shared ownership, family-linked mortgages, and products that recognise non-standard income.
- Older members will need support to use, protect, and manage housing wealth in later life as well as work out how to transfer it to the next generation.
- Fewer people will have housing asset wealth to fall back on in later life.
- Long-term renters will need propositions that help them build savings, resilience, and financial track records.

Immediate opportunities for building societies and credit unions include:

- More family-linked, flexible, and variable-income mortgage products.
- Earlier-stage support for deposit building and financial track-record creation.
- Participation in purpose-led private rental supply, including financing, ownership, or partnerships in build-to-rent models.

[1]Source: UK House Price Index: monthly price statistics - Office for National Statistics.
[2]Source: LPMB3C2 Database | Bank of England.
[3]Source: Homeownership rates of working-age adults, by age group, 1995–2022 | Institute for Fiscal Studies.

2. Wealth inequality, intergenerational financial flows, and long-term planning

Wealth is increasingly concentrated in housing and among older cohorts. Younger households face greater barriers to asset accumulation, while intergenerational transfers play a larger role in determining financial outcomes. These trends are likely to continue and will reinforce advantage for households with family wealth and deepen disadvantage for those without.

Housing is central to this dynamic because it remains the primary vehicle for wealth accumulation in the UK. At the same time, the shift from defined benefit to defined contribution pensions places more responsibility on individuals to manage long-term savings and retirement outcomes. For many households, property is both their main asset and a core part of retirement security.

Impact on member needs

- Members will need more support navigating family finance, housing, savings, and retirement together.
- Unequal access to family support will increasingly shape homeownership and long-term financial security.
- In low-growth and base-case scenarios, intergenerational transfers may become more concentrated among the wealthiest households.
- In a high-growth scenario, outcomes improve more broadly, but gains are still likely to be larger at the top of the income and wealth distribution.

Immediate opportunities include:

- Low-cost, member-focused investment products, such as simple multi-asset funds.
- More family-assisted mortgage and deposit-saving propositions.
- Long-term savings and retirement products with more predictable outcomes, possibly leveraging the collective defined contribution model, and including workplace or payroll-linked savings.

3. Income volatility and financial resilience gaps

Income will become less predictable for a growing share of households due to self-employment, gig work, and non-traditional employment patterns. Many households will also lack sufficient savings buffers to absorb financial shocks.

In a high-growth scenario, AI may create a new cohort of workers with volatile incomes as routine cognitive roles are displaced. In lower-growth scenarios, financial stress is likely to become more widespread as state capacity to provide support becomes more constrained.

Impact on member needs

- More members will need flexible credit, short-term liquidity, and support managing irregular income.
- Products based on stable monthly salaries will become less suitable for a growing share of households.
- Financial resilience gaps will increase the risk of exclusion, arrears, and reliance on high-cost credit.
- Digital tools, behavioural nudges, and early-intervention models will become more important.

Immediate opportunities include:

- Flexible mortgage affordability models for variable income.
- Affordable small-value credit and linked savings products.
- Behavioural savings tools, AI-enabled money management, budgeting support, and early-warning interventions.

4. Conclusion: Direction of travel

Financial journeys are becoming increasingly varied, complex, and unequal — and the path ahead is uncertain. Whatever the macroeconomic future of the UK, there is a growing need for institutions that can support access, resilience, and long-term financial health across a range of circumstances. The key challenge is to ensure that products, services, and advocacy are designed with this range of futures in mind.

Impact on building societies and credit unions

- Financial journeys are becoming more varied, complex, and unequal. The sector must plan for a broader range of member circumstances rather than a single linear path to homeownership and retirement.
- Housing affordability, wealth concentration, and income volatility will reshape demand for mutual products and services. Flexible mortgages, deposit-building support, long-term savings, affordable credit, and financial resilience tools will become more important.
- Across all macroeconomic scenarios, the opportunity is to position building societies and credit unions as institutions that help members access housing, manage volatility, build resilience, and improve long-term financial health.

Acknowledgements: *Tara Diviney, Associate*

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/
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[10]Will climate cause the next financial crisis? https://www.knightfrank.co.uk/research/article/2025/7/will-climate-cause-the-next-financial-crisis
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[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

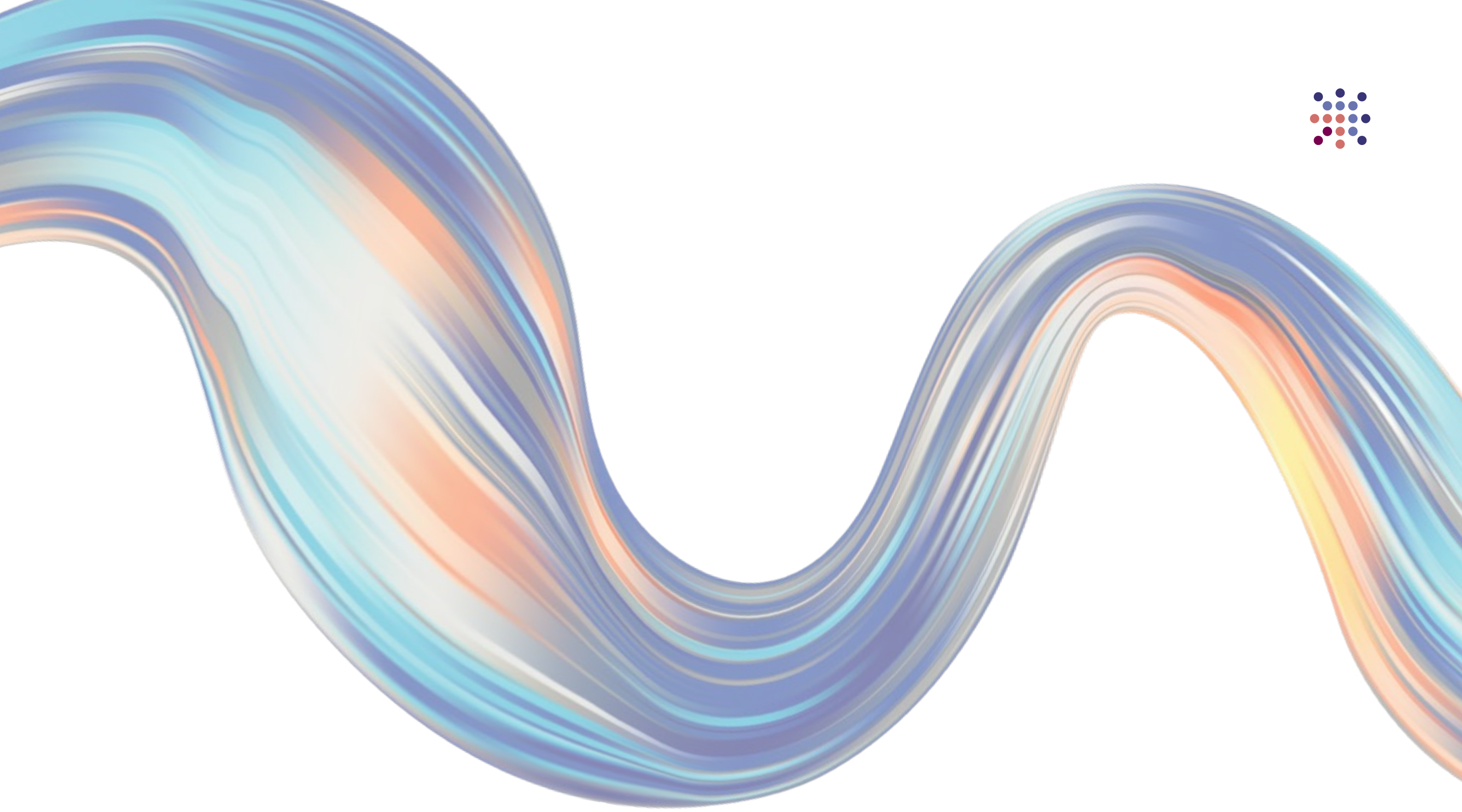
Building societies fail to modernise. Constraints and costs relating to technology, AI, skills and cybersecurity compound over time. As a result, societies lose younger and working age customers to fintechs and Big Tech finance providers, retaining primarily older, existing members.

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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3:
Serving the next generation of customers

Executive Summary

- **The Relevance Gap:** primary research by PA Consulting highlights that despite 61% of 18 to 30-year-olds stating they would trust a member-owned provider over a shareholder-owned competitor for their long-term future, only 19% currently hold an account with a building society. This reveals a critical "relevance gap" where theoretical trust in mutuality does not translate into active adoption, as younger consumers default to digital-first challengers and established high-street banks.
- **The 2050 Customer Mindset:** using quantitative value mapping and AI-enabled synthetic personas, PA Consulting's research reveals a future generation facing profound economic and environmental uncertainty. However, these younger consumers place immense optimism in new technologies to build financial resilience, and they anticipate highly fluid, non-linear career paths that demand adaptable financial support.
- **Strategic Imperatives:** to capture the next generation, building societies must move beyond existing acquisition strategies to clearly demonstrate the direct, tangible benefits of member ownership. Success requires keeping pace with AI innovations, partnering to provide broader investment options, and designing highly flexible products that support complex, multi-generational lives

The Relevance Gap

Building societies must do more to capture the interest of younger generations. Our research shows that while 61% of 18 to 30 year olds would trust a member-owned provider over a shareholder-owned competitor for their long-term future, only 19% hold a current or savings account with a building society, defaulting to digital-first challengers and established high-street banks. This reveals a fundamental disconnect between the financial models Gen Z and younger millennials trust and the providers they actively choose to bank with; a relevance gap where the mutual model is supported in theory but does not translate into active adoption.

To close this gap, and secure next generation acquisition, building societies will need to understand the evolving expectations of younger customers: who the sector will need to serve in the future, how they will expect to be served, and how this differs from today. Direct engagement with 2050 customers is not possible, but projecting the core values of today's younger generations into a simulated 2050 environment provides a unique insight into these answers.

To explore these questions, PA Consulting conducted a multi-phase foresight and research approach:

- Macro Scanning and Future Baseline Development: Structured STEEP analysis identifying the political, economic, social, technological, and environmental forces most likely to shape future financial behaviour, establishing the baseline reality of 2050.
- Quantitative Value Mapping: A 10-min MaxDiff quantitative survey with 1,700 nationally representative 18–30 year old financial services customers, and 300 nationally representative 40-55 year old customers (a comparison sample to identify the attitudes and priorities unique to younger age groups).
- Synthetic Qualitative Interviews: A set of synthetic personas (AI-enabled agents grounded in the data from the primary quantitative research and the macro scanning) were created and interviewed to generate qualitative style insights on the future 18-30 year old 2050 customer.

Understanding Younger Generations Today

The views and outlook of younger generations today provide a preview into the expectations of future customers. Amidst widespread economic uncertainty, younger customers are placing their optimism in technology. 67% of 18 to 30 year olds agree the traditional path to financial security no longer works for their generation. An equal 67% worry that events outside their control, such as climate change or economic crises, will disrupt their financial plans. Yet 60% are confident new technologies will help their generation become financially better off than previous generations.

This points to a shift in how younger customers view the role of financial services, seeing new technologies as the essential tools needed to regain control and build resilience in a challenging financial landscape. This is also driving a shift towards early investing, with younger generations investing earlier than previous generations[1]. 23% of 18 to 30 year olds hold an investment product or account, and this rises to 31% among 25 to 30 year olds, both higher than the 20% of 40 to 55 year olds who hold investments.

In addition to this, younger customers anticipate a more fluid working life than previous generations. When looking ahead to their financial priorities for the next decade, 17% prioritise preparing financially for major career transitions or fresh starts, compared to only 9% of 40 to 55 year olds reflecting on their own goals at a similar age. Younger customers are also frustrated by the rigidity of many current financial products, with 22% citing that products are hard to adapt when personal situations change.

For younger generations, long term financial stability is increasingly viewed as a shared endeavour. They are frustrated by products that fail to reflect modern household dynamics, with 18% citing a lack of clear options for managing money with extended family. When making trade-offs about what matters most, younger customers are more likely than 40 to 55 year olds to prioritise using money to support those in their community and beyond. Yet they face hurdles here as well, with 14% finding it hard to identify financial services that give back to local communities, compared to only 8% of the older cohort.

[1]*World Economic Forum, "Retail Investing Shift Towards Younger Investors," March 2025, https://www.weforum.org/press/2025/03/new-research-finds-retail-investing-shift-towards-younger-investors-reshaping-market-trends/*

Introducing the 2050 Personas

From the primary quantitative research, we developed four distinct value-based personas so that we could establish the potential needs and tensions that might play out in 2050, and the implications this holds for building societies in how they can best serve the future customer. The personas are deliberately distinct and stretching to enable us to identify the widest spectrum of potential future customer needs. The personas were projected into 2050 to bring future 18–30 year old customers to life.

Persona 1: Cautious Control Seekers

1/3 of current 18-30 year old financial services customers

These customers are characterised by a fundamental need for personal control and financial stability, prioritising clear visibility of their finances and risk protection.

Meet Sian

Sian is a 22 year old living in Birmingham. In 2050, people living longer lives and an ongoing housing crisis has made poly-generational households the norm, so Sian lives with her grandparents, parents, siblings and extended family members.

A personal AI agent acts as an autonomous financial engine managing their shared finances. This system runs a continuous, real-time auction of their spending to secure the best prices and reallocates their communal savings to capture the best rates. While this automation has made shared finances more seamless, she finds it frustrating when her money is moved around without her involvement. To counteract this, she turns to financial providers that offer her direct personal control. She uses financial services that enable her to set strict algorithmic rules over her share of the finances and values access to human support when automated systems generate errors, particularly the face-to-face support available at the local banking hub (a physical space shared by different financial providers) if she ever encounters severe security, fraud, or identity issues.

On an instinctive level, Sian is drawn to a member owned provider over a shareholder owned provider. However, when choosing a financial provider, her primary drivers are accessible customer support and digital products that accommodate her multigenerational living arrangements.

Persona 2: Restless Automators

1/10 of current 18-30 year old financial services customers

These customers are characterised by high financial anxiety, coupled with a profound trust in technology as the means to manage risk and secure their financial future.

Meet Chloe

Chloe is a 28 year-old engineer who lives with her partner in Edinburgh. In 2050, environmental volatility, including extreme weather and climate events, create direct physical and financial risks that disrupt long-term asset preservation and property values. As a result, Chloe finds solace in technology, viewing automation as her only effective shield against unpredictable external shocks.

She does not have a direct financial provider, utilising a complex suite of automated financial tools governed by an overarching personal AI proxy that sits above them all with decision-making authority. This includes a 'Resilience Copilot' service that uses advanced AI and simulation technologies to run both short and long-term stress-tests against her finances. Her AI agent analyses these stress-tests to execute real-time adjustments that protect her investments and assets: *'Flood risk has risen for your postcode. I have authorised the installation of physical flood barriers, releasing 1.5% of your capital to cover the costs. This will provide a projected 5% increase to your home's value over the next 10 years'*

Chloe's must-haves are strong investment options and advanced technology that helps her feel protected and prepared in a volatile financial landscape. She places full trust in her personal AI agent to navigate these challenges, making this agent the customer that financial providers have to win over.

Persona 3: Self-reliant Pivoters

1/10 of current 18-30 year old financial services customers

These customers are characterised by a pursuit of personal wealth, valuing customisable financial services that adapt to their evolving lives.

Meet Alistair

Alistair is a 29 year old freelance architect who lives in a co-living community in Bristol. He recently retrained to become an architect and manages multiple income streams. These include freelance architecture, lifestyle content creation, and selling bespoke design assets directly to AI agents. Although Alistair dreams of buying a home in Bristol, he has been hesitant to take out a mortgage in case it ties him down and prevents him from pursuing fresh starts (e.g., a new career / re-training)

However, his new financial provider offers a mortgage that is specifically designed for his fluid life. The underwriting system connects directly to his automated accounting software and bank accounts, combining every income stream to build a holistic earnings profile that reflects his true financial reality.

Crucially, the mortgage also includes an "Equity Sabbatical" feature which allows him to draw on built up home equity through its 25 year term to fund future career transitions / retraining by pausing repayments, with the paused amount recalculated and spread across the remaining loan with limited administrative effort. This has given him the confidence to place an offer on a home in Bristol.

Alistair seeks out financial providers that are ahead of the curve, offering the flexible, agile products required to support his constantly changing career and lifestyle. He is drawn to providers that act as active partners in his personal progress, enabling his career pivots and life changes rather than restricting them. He values customisation, seeking providers that make space for complexity and see him as an individual.

Persona 4: Collective Builder

1/10 of current 18-30 year old financial services customers

These customers are characterised by a drive for high-growth and a strong commitment to community, seeking financial services that help them build their finances while also making a tangible difference.

Meet Arlo

A history of geopolitical instability and unreliable global supply chains has driven a rise in decentralised, self-sufficient local neighbourhoods. Arlo is a 24-year old living with flatmates in a self-sufficient town near Brighton. Arlo takes great pride in his local area, continually seeking opportunities to grow his finances while simultaneously strengthening the community he relies on.

Arlo has chosen a financial provider that offers a community bank account where he can save and invest with his local community, owning a share of the bank account. Savings are pooled into a community growth fund that invests directly in local assets and infrastructure e.g., housing developments and clean energy projects, which every account holder owns a fractional share of. Holding a share in these assets secures a subscription to low-cost housing and utility services, bypassing volatile rental markets and energy providers, to directly lower his bills. As Arlo walks through his local neighbourhood, his smart glasses project live financial data directly onto these developments. This overlay displays the real time growth of his holding, allowing him to see his personal finances and local area grow in tandem.

For Arlo, supporting his community and growing his personal finances are both important priorities, and he is unwilling to trade one for the other. He expects a financial provider that delivers exceptional service, competitive rates, and seamless digital functionality while also benefiting his local community. Arlo looks for providers that offer solid evidence of the tangible difference they make to both his personal finances and community.

Projecting Today's Young Customers into 2050

Cautious Control Seekers

1/3 of the young market

Seeking Algorithm Rules and Human Support.

Value setting strict algorithmic rules over money, desire face-to-face support at local hubs when automated systems fail.

Restless Automators

1/10 of the young market

Governed by"Resilience Copilots".

Rely on AI proxies to stress-test finances and execute real-time adjustments; providers must "win over" the AI.

Self-reliant Pivoters

1/10 of the young market

Demanding "Equity Sabbaticals".

Seek agile products, such as mortgages that allow drawing on home equity for career retraining or repayment pauses.

Collective Builders

1/10 of the young market

Investing in Pooled Community Funds.

Seek community bank accounts where savings are pooled to invest in local infrastructure, with results visible via digital overlays.

Strategic Imperatives for Providers

Bridge the Relevance Gap. Move beyond heritage to demonstrate how member ownership leads to better products, digital parity and competitive rates.

Get ahead of the Technological Curve. Offer AI-driven tools for financial resilience, leveraging 60% youth confidence in tech.

Design for Non-Linear Lives. Shift from rigid, single-salary models to flexible products for irregular income and intergenerational lending

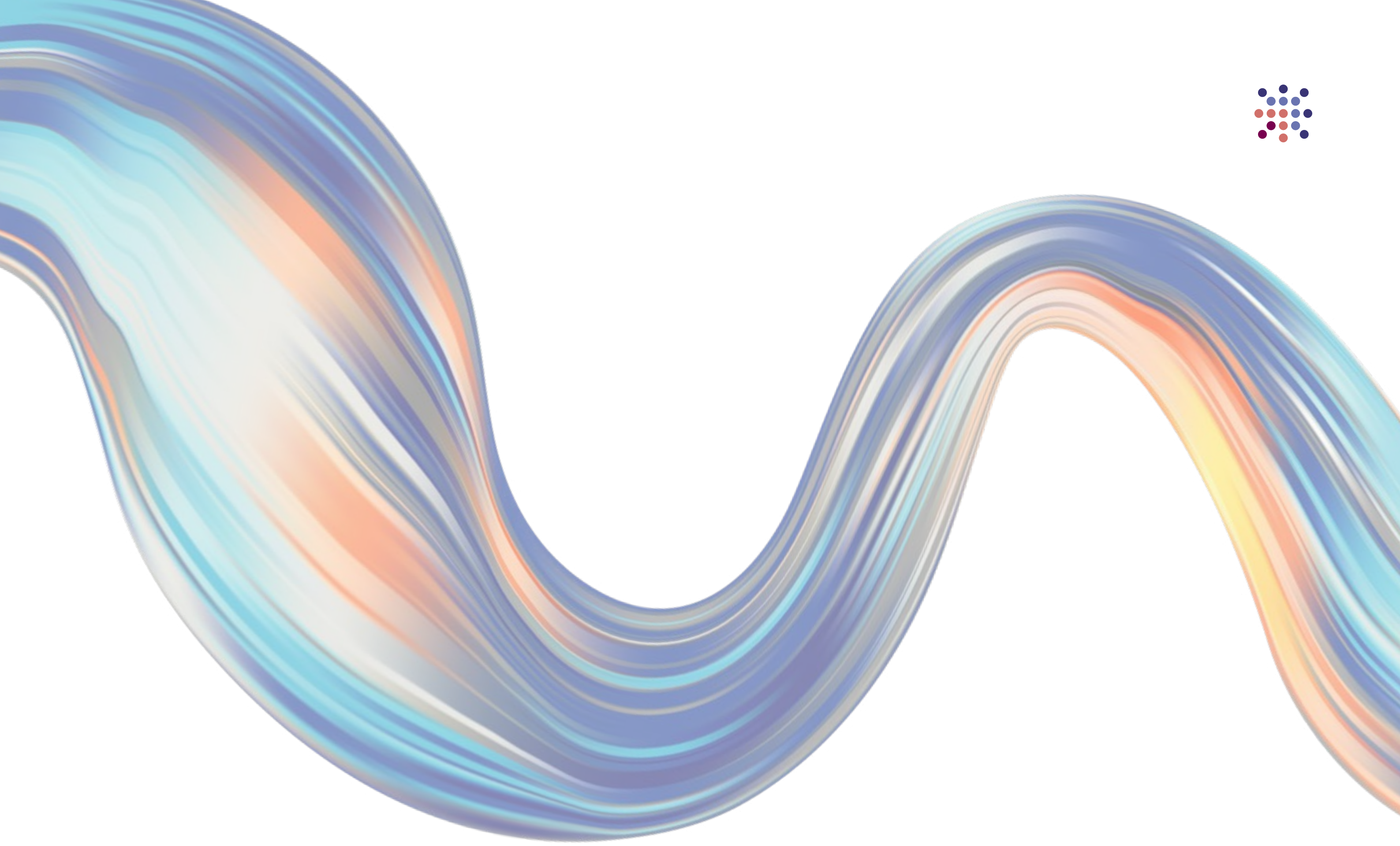
Become a Trusted Gateway to Investments. Partner with values-aligned platforms to offer capital-at-risk options for younger generations investing earlier.

Strategic Implications for Building Societies

These four personas provide insight into the potential expectations of future customers. However, building societies cannot wait until 2050 to act. The path to serving the customer of tomorrow begins with younger generations today:

- **Demonstrate the tangible benefits of building societies:** Younger generations do not fully understand the mutual model and are not actively thinking about it when choosing financial providers. Even for younger customers who are deeply committed to supporting local communities, a provider's mutual ownership structure remains an abstract concept that does not influence their choice. Mutuality is a secondary factor; digital parity, competitive rates, customer service, and product innovation are the primary drivers of their decision making. Bridging the relevance gap requires moving beyond heritage stories, which can be dismissed as marketing, to instead emphasise the direct, personal benefits member ownership delivers, and how this ownership structure can lead to better products and services.
- **Get ahead of the technological curve:** Younger consumers place their hope and optimism in technology when navigating a financial landscape filled with uncertainty. They hold high expectations of technology, seeking providers that offer innovative solutions to help them manage their daily finances and build financial resilience. The rapid rise of AI is increasing these expectations further. Building societies must get ahead of the curve to earn a place in younger customers' consideration set.
- **Offer investment options through strategic third-party partnerships:** Younger generations are investing earlier than previous generations, viewing investment as an essential strategy to build long term financial security. Building societies are not structured to offer direct access to capital at risk investments, but they are uniquely positioned to act as a trusted gateway to investment options. By partnering with values-aligned investment platforms, mutuals can bridge this gap, retain younger members and support their broader financial goals while keeping to the building society model.
- **Develop innovative, flexible products for non-linear lives and intergenerational households:** Younger generations' financial needs are evolving, with their career paths and household structures becoming more varied and complex than those of previous generations This complexity represents a core opportunity for the mutual sector, which has historically excelled at providing flexible, human-centric support to those underserved by the rigid models of commercial banks. To continue delivering on this historic strength, building societies must develop products and offers that accommodate non-linear careers and support multi-generational households (e.g., mortgages designed for irregular income streams or intergenerational lending products).

Financial providers across the market, including established banks and digital first challengers, will all seek to serve younger generations. The core hypothesis is that, all else being equal, the mutual model will only confer a competitive advantage if its benefits are translated into tangible proof points that younger customers see and experience in their own lives and communities.



To differentiate, the sector should explore how it positions member ownership as the direct, structural enabler of better products and services. For example, presenting new technologies and AI through the lens of trust and stability, showing how these capabilities are optimised for the benefit of members and paired with the human support building societies are known for, or showing how the mutual model is designed to embrace financial complexity rather than shun it, and providing visible proof of the tangible difference building societies make as financial engines for local communities. How building societies develop proof points that younger generations fully understand and embrace remains a key area for further exploration.

Conclusion

The path to winning the customer of 2050 begins today. The mutual model possesses an inherent advantage - deep-seated public trust and a purpose built around member outcomes. However purpose alone cannot overcome a lack of digital parity or product flexibility. As the financial lives of younger generations become more fluid, complex and technology-driven, building societies must aggressively modernise. By pairing their historic strength in human-centric support with strategic third-party partnerships, advanced AI integration, and highly adaptable lending models, the sector can transform mutuality from an abstract concept into an indispensable financial tool for the next generation.

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Customer Journeys

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Lal Tawney, *Director*

4:
Home buying

Executive Summary

- The UK home-buying process is expected to shift from a slow, fragmented, paper-heavy system to one that is far more digitally enabled, data-driven and coordinated end-to-end. Key changes include earlier verification of information, greater interoperability between participants, and wider use of automation to reduce delays, errors and transaction failures. While progress is uneven, the overall direction is towards faster completions, fewer fall-throughs and clearer, more timely information for all parties.
- **Why does it matter for people and society?**
Today's system is costly, stressful and unreliable: transactions routinely take around six months, around a third fail, and affordability pressures have locked millions out of homeownership. Improving the process matters because housing is a core social good. A faster, more transparent and trustworthy journey reduces wasted costs, emotional stress and inequality, while supporting mobility, financial wellbeing and confidence in the housing market.
- **Why does it matter for mutuals?**
Building societies and credit unions play a critical role in serving underserved and complex borrowers, but they cannot overcome system-wide frictions on their own. As the market modernises, digital capability becomes table stakes. Mutuals that fail to adapt risk being marginalised, while those that invest can reinforce their trusted status, deepen customer relationships and extend their relevance beyond traditional mortgage products.
- **What is the core strategic implication?**
The central strategic implication is the need for collective action and proactive adaptation. For mutuals, this means collaborating to shape shared infrastructure and standards, combining automation with human advice, and championing trust, inclusion and fair outcomes. Doing so positions the sector as a credible steward of a more efficient, inclusive and resilient home-buying system.

Context

Owning a home is a core aspiration for most people, yet achieving it in the UK remains a notoriously slow, stressful, and fragile process, with around six months on average from listing to completion.[1] By contrast, the United States typically closes a sale in roughly 2–3 months (~69 days), and some markets achieve even faster turnarounds.[1] For example, Dubai has demonstrated the potential for significantly faster transactions through a blockchain-based registry, with reported completion times in a matter of hours.[2]

The UK process also commonly falls apart: approximately one in three transactions collapses before completion, often due to broken chains or last-minute problems, costing buyers and sellers an estimated £1.5 billion in wasted expenses each year.[3] Affordability and complexity compound the challenge. House prices and deposit requirements have risen to the extent that over two million potential first-time buyers have been "locked out" of the market since 2006.[4] Those who do try to buy face a complex journey involving multiple intermediaries. The process remains largely paper-based and siloed, and around 90 per cent of UK mortgages are arranged through brokers rather than directly with lenders, highlighting a persistent advice need for many households.[5] This is a fragmented, multi-party process, with slow information flows and interdependent chains that entail limited legal commitment until late in the process. In June 2026 the UK Government announced a series of reforms, including upfront information packs and greater use of digitalisation and smart data that will move in this direction.

Building societies and credit unions play a critical role in serving underserved groups such as self-employed or older borrowers, but even their innovations cannot overcome the structural frictions embedded in the overall transaction process. Taken together, these issues amount to a clear burning platform for reimagining how homes are bought and sold.

Encouragingly, global innovations point the way forward. Other countries have demonstrated that home buying can be faster, safer, and more customer-friendly with effective technology and reforms:

- **Australia** – the PEXA electronic conveyancing platform, now used for over 85 per cent of property transfers nationwide.[6]
- **Dubai (UAE)** – a blockchain-enabled property registry supports fully digital transactions and significantly faster completions, with reported transaction times of only a few hours in some cases.[2]
- **Sweden** – a fully digital land registry, alongside blockchain-based pilots, has demonstrated the potential to materially reduce transaction and registration times compared with traditional paper-based systems.[7]

The trajectory is clear: home buying will become faster, more digital, and more customer-centric. For the UK, the question is how this transformation plays out by 2050. We explore two contrasting scenarios: one where technology and policy reforms combine to create a seamless, inclusive experience, and one where progress is uneven and benefits are not shared widely.

[1]GB News (2024). UK branded worst in Europe for the time it takes to sell a home. [2]Digital Dubai (2026); Dubai Land Department. Blockchain-enabled property transactions and real estate digitisation. [3]Santander UK / Financial Reporter (2025). Failed housing transactions costing £1.5 billion a year. [4]Building Societies Association (2025). Over two million first-time buyers missing from the housing market. [5]FCA / UK Finance (latest available). Mortgage market data – broker channel share. [6]PEXA Group; Today's Conveyancer (2022). Electronic conveyancing adoption in Australia. [7]Lantmäteriet (Swedish Land Registry); Quartz (2022). Digital land registry and blockchain pilot programme.

Scenario 1 Seamless & Inclusive

The UK fixes the foundations including data standards, digital identity, conveyancing processes, and regulation so that technology delivers an end-to-end home-buying journey that is fast, trustworthy, and broadly inclusive.

A fully digital, end-to-end journey

By 2050, the entire home-buying process is integrated into a one-stop digital platform (or a network of interoperable platforms). From search to signing, everything happens in a coordinated online environment. Buyers can browse properties in immersive 3D, instantly access verified information (title, surveys, energy performance), and view personalised financing options alongside each property.

By the time a buyer is ready to make an offer, an AI-driven underwriting system has already processed their credit and income information, with their consent. As a result, multiple lenders including building societies have competed to provide instant pre-approvals, and the buyer can choose the most suitable rate and terms with confidence. Embedded finance becomes the norm: the mortgage is no longer a separate, opaque process.

Human advisers have not disappeared, but their role has changed. They are available on-demand for higher-value advice supporting complex decisions, family circumstances, or moments of uncertainty.

Super-fast transactions with smart contracts

Once a buyer and seller agree a price, smart contracts take over conveyancing and completion. Data and documentation are verified upfront, reducing delays. Even complex chains are coordinated digitally, eliminating the domino effect that causes transactions to collapse today.

Identity verification is instant through a national digital ID. Title checks run automatically against a fully digital Land Registry. When all conditions are met, a smart contract triggers payment and updates ownership records within minutes. Same-day or next-day completions become routine. Each step is recorded on a tamper-proof ledger and flagged for human oversight where needed, virtually eliminating fraud while retaining accountability and trust.

Greater inclusivity through new models

As the market creates new products, homeownership, or participation in home equity, becomes more attainable again. Traditional 25-year mortgages are just one option. Intergenerational 40–50 year terms, shared ownership, and fractional equity models are widely used and responsibly regulated. Platforms manage multiple stakeholders transparently, with safeguards that ensure these models act as genuine pathways to ownership rather than speculative traps.

Affordability also improves through greater stability in housing costs and technology-enabled reductions in living expenses, widening access compared with the 2020s.

Outcomes:
Completion times fall from months to days, failed transactions become rare, and consumers have clearer information and greater confidence throughout the journey.

Implications for mutuals

Building societies and credit unions could thrive in this future – but not by default. Much of the market will be commoditised, and it will be difficult to compete almost exclusively on rate. Success depends on proactive adaptation.

- **Ecosystem collaboration:** Mutuals collaborate through consortia to shape shared digital infrastructure and standards, ensuring influence and access rather than exclusion.
- **Digitally capable, human-centred:** Digital capability becomes the norm across the market. Mutuals differentiate by combining automation with trusted human support, positioning themselves as a “trusted copilot” alongside customers’ AI tools.

continued on next page

- **Expanded, place-based role:** Mutuals move beyond savings and mortgages to become holistic, long term housing partners supporting green retrofits, financial wellbeing, and local housing initiatives. Investment in digital inclusion, including branch-based support for those uncomfortable with technology, reinforces their relevance to place and community.

In summary, Scenario 1 describes a UK home-buying journey that is dramatically improved: fast, transparent, and inclusive, while remaining grounded in trust and human judgement.

Scenario 2 Innovation Without Inclusion

Technology advances by 2050, but adoption is uneven. The UK never achieves a fully unified home-buying platform. Many local authorities, independent solicitors, and other stakeholders remain outside the digital system, meaning key steps still take weeks. The system improves for some, while many buyers see only modest gains.

Overview

A relatively small, affluent segment enjoys a near-seamless digital experience, much like Scenario 1. The majority including older, less tech-savvy, or lower-income buyers, still faces a fragmented, subpar process.

The UK never achieves a fully unified home-buying platform. By 2050, a typical transaction might take around three months, an improvement on today, but far from transformational.

Outcomes

Access to homeownership becomes more unequal. Those with resources use technology to secure faster, better deals, while many others see little improvement. Affordability challenges persist, and digital efficiencies disproportionately benefit investors and institutional landlords, accelerating a long-term rentership society.

Advanced mortgage algorithms introduce new forms of exclusion through opaque or biased decision-making. Trust erodes as consumers struggle to understand or challenge automated outcomes, and an advice gap remains for those unable to access personalised support.

Implications for mutuals

Building societies and credit unions are overshadowed by Big Tech firms and large banks that control the main property-finance platforms. Most mid sized mutuals are pushed into utility-like, back-end roles.

However, gaps remain. Uneven adoption creates demand for trusted, human-centred advice, allowing a smaller number of adaptive mutuals to serve excluded groups and local communities. This provides a lifeline for some households, but not enough to offset the sector's overall loss of scale and influence.

Strategic Implications

The divergence between these scenarios highlights critical choices for building societies and the wider system now:

- **Forge partnerships and lead in ecosystems:** Mutuals should collaborate with peers, fintechs, housing associations, and government to shape shared infrastructure and standards.
- **Diversify beyond traditional products:** Long-term relevance depends on expanding beyond savings and mortgages into broader financing options (such as shared ownership and intergenerational lending) and housing-related services.
- **Build hybrid distribution models:** Digital journeys must be complemented by accessible human support for complex decisions and vulnerable customers.
- **Champion trust, inclusion, and policy reform:** Mutuals should engage policymakers to shape outcomes-based regulation and ensure vulnerable customers are not left behind in the digital future, positioning the sector as a steward of fairness, trust, and long-term value.

Conclusion

Success for mutuals by 2050:

- Building societies remain significant and trusted providers in housing finance, with strong market presence and member loyalty.
- They deliver inclusive outcomes, expanding access to homeownership and bridging advice gaps through both digital innovation and personal guidance.
- Mutuals are recognised as integral to the housing ecosystem, leading on collaborative platforms, shaping industry standards, and delivering sustainable long-term value for members and communities.

Failure for mutuals by 2050:

- The mutual sector shrinks and loses relevance, with many societies demutualising or being absorbed as smaller back-office providers.
- Big Tech firms and large banks dominate customer relationships, leaving most mutuals confined to utility-like roles with little direct public engagement.
- Trust and influence erode. Lacking distinctive offerings, mutuals cease to shape policy or consumer outcomes and become largely irrelevant to the future housing market.

Implications for building societies, the sector, and policymakers:

- Individual mutuals must innovate and broaden their mission, investing in digital capability and new services beyond mortgages while preserving their trusted, human-centred ethos.
- Collectively, the mutual sector must coordinate and collaborate, developing shared infrastructure and standards to ensure a fair and efficient system.
- Policymakers and regulators should build on their June 2026 announcements to create an enabling environment mandating open standards, encouraging inclusive innovation, and emphasising consumer protection so that a modernised home-buying journey delivers better outcomes for all.

Shape the future
with confidence

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5:
Home energy improvement

Executive Summary

- The UK's housing stock is among the least energy efficient in Europe, with a significant proportion affected by poor insulation and relying on high-carbon heating systems. The UK Department for Energy Security and Net Zero states that four in five homes that will be occupied in 2050 have already been built, with residential buildings currently accounting for around 13% of national emissions. The UK Climate Change Committee estimates that upgrading the energy efficiency of domestic homes would cost £250bn by 2050, mostly to retrofit homes, highlighting the scale of investment needed for the UK to reach net zero[1].
- Mutuals have the opportunity to act as an ecosystem coordinator to create an enabling environment for home retrofitting and decarbonisation, leveraging long-term member relationships and the mutual model. This is also likely a risk management imperative. Without action, assets on lenders' balance sheets could become unmortgagable. Success may require industry partnerships, updated risk frameworks, collaboration with government, and the effective use of technology to support an equitable transition to decarbonized homes while sustaining the mutual model's relevance.
- This chapter explores the challenges and opportunities in home energy improvement, presenting three climate scenarios illustrating varied impacts on homeowners and financial risks by 2050 and outlining how current building society business models can be adapted. This exploratory paper is based on current information and does not account for energy market fluctuations or major geopolitical shifts.

[1] *Retrofitting homes for net zero, https://publications.parliament.uk/pa/cm5901/cmselect/cmesnz/453/report.html*

Market context: progress and current policies

The UK's approach to home energy improvement is still evolving. While initiatives and policies are being deployed, significant headwinds and uncertainties remain, highlighting constraints in delivering the required progress. Government actions can be key to driving UK's energy efficiency progress. The UK Minimum Energy Efficiency Standard requires all rented homes to hold an EPC C or above by 2030[2]. Despite this, the UK Housing Survey finds that 19% of UK homes are rented, with almost half of these holding an EPC below C[3].

The Challenges

There is a distinct gap between current policy and ambition which is demonstrated by persistent headwinds and structural constraints in the market. Demand for innovative retrofit finance remains limited. Nationwide has offered 0% interest green loans since June 2023; only around 1,900 applications were completed until the end of September 2024[4]. High upfront costs, long payback periods, and limited access to impartial information continue to discourage households from retrofitting, while fragmented delivery disconnects planning, installation, and financing from mortgage products. However, homeowners' demand for housing that is cheaper to run, enables living in more extreme temperatures and is better protected from climatic events is likely to increase. For building societies, addressing these issues may require capabilities beyond current operating models, contributing to uneven progress and reduced delivery confidence.

Climate scenarios: pathways for home energy performance improvements

The following climate scenarios illustrate potential pathways for improving home energy performance to 2050. They are indicative, based on International Energy Agency (IEA) and Climate Change Committee analysis, and are intended to highlight risks, opportunities, and delivery challenges rather than provide forecasts. However, they all indicate that many people's homes may become more financially demanding, with a key role for trusted advisors to guide through the timing and investment choices.

Pathway 1: Insufficient Climate Action Scenario

(2.5 – 2.9˚C aligned)

Limited sustained economy-wide climate action, short-term measures and fragmented response from governments and businesses may constrain home energy efficiency improvements. By 2050, this may result in widespread social and economic challenges, including resource crises and rising unemployment, contributing to affordability concerns for households and declining health and wellbeing. Homeowners may need to retrofit existing homes to manage temperature changes, requiring innovative financing solutions such as air-cooling solutions which may be inaccessible for many. For building societies, heightened financial risk can emerge including increased physical risks and customer defaults. Climate stress testing may place a growing proportion of properties at risk of lending ineligibility as hazards such as flooding become more prevalent across the UK.

[2]The domestic private rented property minimum standard, https://assets.publishing.service.gov.uk/media/5eb00785e90e0723b847d644/Domestic_Private_Rented_Property_Minimum_Standard_-_Landlord_Guidance_2020.pdf
[3]Chapter 1: Profile of households and dwellings - GOV.UK, English Housing Survey 2023 to 2024: rented sectors - GOV.UK, https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2024-to-2025-headline-findings-on-demographics-and-household-resilience/chapter-1-profile-of-households-and-dwellings
[4]Nationwide doubles down on green home improvements by extending 0% borrowing, https://www.nationwide.co.uk/media/news/nationwide-doubles-down-on-green-home-improvements-by-extending-0-percent-borrowing

Pathway 2: Late but Decisive Action Scenario
(2˚C aligned)

Under a delayed but more decisive transition, stringent government measures are enforced in the lead up to 2050, following short-term widespread impacts such as shortages and volatility. Late intervention can result in higher catch-up costs for homeowners that don't act early, particularly where minimum energy efficiency standards are introduced. For building societies, this pathway presents a mix of risks and opportunities. They may begin to face stranded asset concerns and reduced insurability, and portfolios can become more exposed to compliance and affordability pressures due to strict measures. At the same time, clearer policy direction and growing demand may support the development of scalable retrofit financing solutions, albeit with continued delivery and coordination challenges.

Pathway 3: Early and Decisive Global Action Scenario
(1.5˚C aligned)

This scenario is defined by coordinated and sustained global action, with significant progress made before 2050. Energy efficiency and retrofit considerations are embedded in property financing propositions.

Building societies can be a key enabler in this scenario, by acting as home energy improvement partners, coordinating financing and installation to reduce complexity for homeowners. Embedding 'retrofit-first' thinking within mortgage financing can support a more climate resilient mortgage portfolio with tangible household benefits. Collaboration with retrofit suppliers can help deliver low friction access to energy efficient solutions such as heat pumps whilst reducing energy bills for customers. Partnerships with property technology firms to simulate retrofit scenarios and predict energy savings for personalized financing pathways can provide customers with the confidence and trust they lack today.

Government leadership: policy and market enablement

Government policy remains central to enabling low cost, accessible and equitable retrofit finance. Weak short term incentives risk deteriorating property values and increased credit exposure for building societies highlighting the need for close collaboration to deliver scalable delivery models. The UK Warm Homes Plan emphasizes public and private financing partnerships to enable a greater uptake of retrofitting. The UK's Transition Finance Council's Sector Transition Plan guidebook also demonstrates the government's strategic considerations of financing across the overall transition.

Viable Business Models: considerations for building societies

Building societies should begin to consider the range of ways to adapt existing business models to optimise the risk and opportunity profiles outlined by the potential climate scenarios described above, and to support the UK accelerate its improvement of home energy performance across a range of viable business models:

- **Rate Incentive model:**
  Building societies offer interest rate step downs linked to verified efficiency improvements and homes that are EPC B or above. Ecology Building Society has delivered this for nearly 40 years, reducing mortgage interest rates by 0.25% per EPC band improved[5]. We expect significant growth in the demand for Net Zero buildings, presenting an opportunity for building societies to structure financing and incentivise the construction and purchase of such properties.
- **Efficiency Integration model:**
  Building societies embed the financing for retrofits and energy efficiency upgrades alongside mortgage financing to reduce the complexity for homeowners. Assessing energy efficiency within mortgage affordability calculations can reward lower energy bills allowing the borrower to take larger loans. The UK Parliament has also discussed allowing households access to third-party ownership finance and grants for installation costs as part of the Boiler Upgrade Scheme.
- **Property Linked Finance model:**
  Building societies can enable Property Linked Finance (PLF) by structuring loans tied to the property rather than homeowner. Doing so can enable homeowners to overcome upfront cost barriers, accelerate property decarbonisation, and contribute to the UK's energy efficiency journey. This may requires building societies to work closely with policymakers to overcome legal barriers currently limiting deployment of PLF.
- **Ecosystem Coordinator model:**
  Building societies partner with local authorities, energy suppliers, and contractors to become the finance anchor of the UK energy improvement journey, leveraging the mutual model to support the retrofit process. The UK Warm Homes Plan emphasizes collaboration between energy suppliers, housing associations, and industry partners, with £38bn of public and private financing including £15bn of direct public investment by 2030 to support upgrades for energy efficiency[6]. Building societies with local roots and member trust are well positioned to be the trusted face of this in communities.

These models can all leverage existing mutual advantages of trust, local presence, property expertise and long-term relationships, offering member service, not just products, to help people into sustainable homeownership.

[5] *New Eco Home Mortgage - Ecology Building Society, https://www.ecology.co.uk/hub/new-eco-home-mortgage-launched-as-interest-spikes-in-green-mortgages/*
[6] *Warm Homes Plan (HTML) - GOV.UK, https://www.gov.uk/government/publications/warm-homes-plan/warm-homes-plan-html*

Practical Considerations: key questions for delivery and scale

In exploring the role building societies could play in improving the UK's home energy performance, a set of key questions emerges:

- Which retrofit interventions are most compatible with existing financing propositions?
- What partnerships are required to deliver credible end to end journeys at scale?
- Can public sector risk sharing mechanisms be used to improve affordability and reach?

Conclusion

Energy efficiency improvements for UK homes will occur over decades. Building societies can play a pivotal role in this using trusted customer relationships and property expertise. Success will depend on strategic choices about where to integrate, partner and innovate, including public and private sector partnerships.

Building societies that succeed in aligning finance, technology, and purpose are likely to play a transformative role in enabling a just and practical transition for UK homes. In doing so, they would also reinforce the enduring relevance of the mutual model in an evolving housing and energy landscape.

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6:
The changing nature of consumer savings

Executive Summary

- By 2050, the concept of a standalone "savings product" is likely to become obsolete, replaced by AI-driven, hyper-personalised ecosystems.
- AI agents will increasingly act as brokers, owning much of the customer relationship, particularly in the early stages, by sourcing options via prompts like "find me the best rate" or "show me ethical options."
- For building societies, this represents a fundamental shift: competition moves away from product features towards relevance within agent-led ecosystems.
- Success will depend on being visible and consistently selected by AI-driven intermediaries, such as technology platforms, fintechs and digital marketplaces.
- However, not all customers will move in the same direction: many will embrace AI-mediated, automated journeys, while others will continue to prioritise human interaction, trust and community presence.
- The opportunity for building societies is to compete in these ecosystems while broadening their role in supporting financial wellbeing across customers' life stages, building on their enduring strengths in trust, service and community.

The evolution of savings: from products to AI-orchestrated outcomes

By 2050, the traditional model of savings, customers selecting and managing discrete accounts, will give way to a fluid, AI-driven experience embedded within broader financial ecosystems. Customers will increasingly interact through aggregator platforms or AI agents, using prompts such as "find me the best rate," "optimise my savings," or "show me ethical options."

Behind the scenes, funds will be dynamically allocated across providers based on rate competitiveness, alignment to goals and values, trust signals, and ease of integration. In this environment, customer relationships are no longer exclusively owned by providers, distribution is mediated by platforms and agents, and selection becomes continuous rather than a one-off decision.

At the same time, saving shifts from a product to an outcome. Customers will think less themselves in terms of accounts and balances, and more about financial security, lifestyle choices, supporting causes, and intergenerational wealth. Savings becomes an enabler of life goals, with journeys that are continuous, adaptive, and shaped by relevance rather than just financial return. There will be more embedded savings journeys, whether via the workplace with dynamic payroll deductions, or as people go about their lives.

While technology reshapes delivery, underlying behaviours remain consistent: customers will still earn, spend, aspire to home ownership, plan for retirement, support family, and seek security. What changes is how these goals are achieved. Future generations will be AI native (comfortable delegating decisions to AI) and less attached to individual institutions.

Two customer scenarios for the future

To illustrate how these shifts could play out, where no single financial services player fully owns the data or customer relationship, we will explore two persona-based scenarios to clarify how this model operates across different segments of the population:

Scenario 1: Alexandra the AI-orchestrated saver

Alexandra is 29 and does not have a direct relationship with any financial institution. Her financial life is managed entirely through a single AI assistant, which acts as her interface, adviser and execution layer. She does not log into banking apps, compare products or engage with providers directly.

When Alexandra receives income, such as a bonus, she interacts only with her AI assistant. It prompts her with options such as "allocate towards your home goal", "increase flexibility", or "prioritise ethical outcomes". With a simple confirmation, her funds are distributed automatically across multiple providers without her needing to know where her money is held.

Behind the scenes, her savings are dynamically allocated. Alexandra's AI interacts directly with financial institutions' own pricing and product engines, which generate tailored savings arrangements for her situation. For example, this could include specific lock-in periods aligned to her home-buying timeline, with rates that adjust accordingly. The AI continuously scans the market, shifting funds between providers based on rate competitiveness, ethical alignment, trust signals and suitability to her goals. A provider may gain or lose her balance instantaneously, not because she has switched, but because her AI has. In ultra-liquid AI-driven markets, providers may need to

redesign how savings are structured to manage faster movement of funds. This could include greater use of notice periods, dynamic pricing and incentives for stability, tailored to individual customer needs.
Alexandra rarely sees the names of the institutions holding her money. Her experience is shaped entirely by her AI assistant, which translates complex activity into simple outcomes, such as "you are on track to reach your goal in 14 months". In this world, traditional loyalty weakens significantly: Alexandra cares less about who holds her savings and more about whether her financial goals are being achieved. For providers, relevance depends less on being chosen directly by customers and more on being selected by AI systems operating on their behalf.

For building societies, relevance in Alexandra's world depends on being visible, accessible and effective within AI-driven interactions. Success will depend not just on rates, but on the ability to deliver personalised, trusted and differentiated value within an AI-mediated financial ecosystem. This could involve interacting more on ancillary services or information and guidance.

Scenario 2: David
the trust-led, community-focused saver

David is 70 and approaching retirement. He is highly digitally capable, but chooses not to rely on AI for significant financial decisions. He uses digital tools to organise information, compare options and prepare for conversations, but does not delegate control. For him, financial decisions carry emotional weight, particularly as he plans for retirement, inheritance and later-life care.

When David reviews his financial position, he may begin with an AI-generated summary or comparison, but he uses this only as a starting point. He wants to understand the implications of decisions in a more human context, including how they affect his family now and in the future, his lifestyle and his long-term security.

David places a high value on judgement, not just information. He seeks out institutions that provide access to experienced advisors who can guide him through complex decisions and provide reassurance. This is not driven by an aversion to technology, but by a preference for accountability and trust when the stakes are high.

Over time, David consolidates his financial relationships with a small number of institutions that he trusts to act in his best interests. He expects continuity, recognition and a clear understanding of his circumstances. Digital channels are used to support this relationship, but not replace it.

In this world, the value of human interaction increases rather than decreases for certain segments. Institutions that can provide trusted advice, continuity and reassurance become more important, even as much of the market shifts toward automation.

2050 savings journeys

PHASE 1
Trigger
A financial need or life event prompts a desire to save

PHASE 2
Explore
Options are explored independently using digital tools or AI

PHASE 3
Guidance
Advice or recommendations are received from AI tools or a trusted human

PHASE 4
Decision & Setup
The choice is made and savings are set up with support if needed

PHASE 5
Ongoing & Evolve
Savings are managed over time and adjusted as life and goals change

Alexandra, 29 AI-orchestrated journey

1. Alexandra chats with her AI agent about her goals and what she wants to achieve
2. Her AI agent researches across the market and comes back with tailored savings options and comparisons
3. Alexandra discusses the recommendations with her AI agent and finalises her preferred option
4. Her AI agent handles setup and comes back to Alexandra for confirmations or approvals when needed
5. Alexandra receives a monthly financial progress overview from her AI agent with insights and recommendations

Alexandra Touchpoints

- AI agent chat and discussion
- AI agent curated comparisons and options
- AI agent advice and guidance
- AI agent notifications for confirmations and approvals
- AI agent monthly progress overview and insights

David, 70 Human/AI hybrid journey

1. A life event or change in circumstances prompts David to review his savings
2. David uses AI tools to research options and understand what may suit him
3. He takes key points from AI and speaks with a human advisor for clarity and re-assurance
4. David decides and sets up his savings with help from his advisor and digital tools
5. David stays in touch with his advisor and reviews his savings as his life evolves

David Touchpoints

- Email, website or branch
- AI research tools
- Human advisor (in person, phone or video)
- Digital or branch channels
- Ongoing advisor interactions

Strategic implications for building societies and credit unions

The future of savings is a dual reality. Building societies must operate effectively within AI-driven ecosystems while reinforcing their core strengths in trust, service and community. To align to this future, organisations should focus on five key priorities:

1. Become "agent-ready": ensure services can be surfaced by AI intermediaries.

- Expose products via APIs and Open Finance infrastructure.
- Enable real-time decisioning and execution.

2. Compete on continuous selection: shift from locking customers in to being repeatedly chosen.

- Strengthen pricing agility, rate forecasting.
- Respond quickly to market changes.
- Build loyalty and reward mechanisms.

3. Build data and personalisation capabilities: move beyond static products to adaptive services.

- Invest in data infrastructure and analytics.
- Enable dynamic, goal-driven propositions, and support transitions between different savings motivations (also regular saving, emergency buffers, payroll savings, low-balance savers, financial coaching, later-life planning, etc.)

4. Redefine the role of products: position savings as part of broader financial journeys relating to building financial resilience and wellbeing across different lifestages. Build on the example that credit unions already set on financial wellbeing journeys, combining saving and borrowing and embedding financial education.

- Design savings propositions for a more fluid, AI-driven market.
- Design for integration into external ecosystems, including integrating with advice, investments, pensions and care.

5. Deliver dual experiences: support both AI-led and human-led journeys.

- Enable automated, AI-mediated experiences.
- Strengthen high-touch, trust-led interactions, including embedding coaching.

Conclusion

- The shift to AI-driven financial ecosystems will fundamentally reshape how savings are accessed, managed and experienced.
- As AI agents take on a greater role in distribution and early-stage customer relationships, often acting as brokers, success will depend on being visible, accessible and consistently selected within these environments.
- The implication for organisations is to prioritise becoming "agent-ready" while strengthening what cannot be commoditised, thinking beyond products to broader life-stage related needs.
- This includes investing in data and pricing capabilities, exposing products through open infrastructure and APIs, and ensuring propositions can be easily surfaced and selected.
- Organisations must shift from locking customers in to earning repeated selection through relevance, responsiveness and differentiated value.
- At the same time, trust, human support and community presence must be deliberately integrated to remain both digitally relevant and meaningfully human in 2050.

How Will Customers Be Served?

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7:
Technology & transformation trends

Executive Summary

- By 2050, building societies and credit unions will operate in a system transformed by AI, digital identity, tokenisation, programmable finance, real-time value transfer and automated decision-making. The precise shape of that future is uncertain, but the capabilities required are becoming clearer.
- The core needs mutuals serve will remain familiar: safe places to save, access to home ownership and trusted financial support at key life stages. Yet how those needs are met will change as customers come to rely on agents available through voice, wearables, connected devices and platforms to compare providers, recommend products and manage decisions.
- Mutuality as a concept will have value. Member alignment, trust, stewardship and community relevance could even matter more in a world where financial choices are increasingly mediated by machines. But that does not mean every mutual business model survives, nor that today's institutions will remain the natural custodians of that purpose.
- The strategic question is what role mutuals will choose to play in a more automated, intermediated and infrastructure-heavy financial system, and what capabilities they must build now to remain relevant in the future.

Introduction

By 2050, building societies and credit unions will be operating in a financial system reshaped by artificial intelligence (AI), digital identity, tokenisation, programmable finance, real-time value transfer and automated decision-making[1]. Yet the question for the sector is more immediate than the 2050 timeframe implies. Before asking what mutuals might become in 25 years' time, leaders need to ask what capabilities today's institutions must build to remain relevant through the next phase of disruption.

The pressure is already visible. Customer expectations continue to rise, while digital challengers and AI enabled platforms reset assumptions on speed and convenience[2], and larger banks have greater capacity to adapt.

The interface itself is also shifting. Today, digital interaction is still largely organised around a "pane of glass": the branch counter, website or smartphone app. Over time, interaction is likely to become increasingly multimodal, spanning text, voice, wearables, connected devices, digital assistants and AI agents acting on the customer's behalf. This matters because control over the interface has long shaped control over the relationship. Consequently, mutuals will need to decide how they remain visible, trusted and relevant in journeys they may not fully own.

Against this backdrop, mutuals face a difficult strategic choice. Mutuality may become more valuable if customers, regulators and machines need clearer evidence of trustworthiness, fairness and long-term alignment. It may also become less visible, too, if customer relationships move to platforms, agents or marketplaces where price, convenience and machine-readable product attributes dominate. If the benefits of mutuality cannot be expressed in ways that customers and intelligent systems can recognise, it risks becoming a heritage story rather than a source of competitive advantage. This is why the near-term matters.

By 2050, the sector may still look institutionally familiar, but the foundations of change will be clearer. AI will be embedded across servicing, underwriting, anti-fraud, compliance and personalisation[3]. Technology estates will be more cloud-based, modular and API-enabled, with greater dependence on third-parties, shared utilities and external platforms. Regulatory expectations around resilience, data governance, explainability, operational control and AI accountability, meanwhile, will continue to rise.

The future is therefore likely to be shaped by hard choices: whether to lead or follow; to own the customer interface or specialise in manufacturing; to build, buy or share technology; to preserve institutional independence or pool capability; and whether trust and human service can be converted into an enduring advantage.

Four possible future scenarios for 2050

From this starting point, four possible futures can be imagined.

1. **Machine-Readable Mutuality:** AI-mediated finance becomes mainstream. Customers increasingly rely on AI agents to compare providers, select products and manage financial decisions. These agents become brokers or proxy clients, acting on the true customer's behalf and bypassing traditional marketing, search and aggregation journeys. They optimise for price, but may also assess suitability, fairness, resilience, service quality, explainability and alignment with customer interests. This is the most optimistic route for mutuality. It assumes member-first economics can be made machine-readable. Governance, product design, pricing logic, service outcomes, complaints handling, vulnerability support and use of surplus capital all become part of an evidence base that customers and machines can assess. Institutions that evidence member-first outcomes could become trusted financial guardians. But this path is demanding, requiring strong data, transparent decisioning, modern governance, explainable AI and the ability to prove value in ways that are both human- *and* machine-readable. For some, the investment required may be too great unless delivered through shared infrastructure or partnerships.

[1 & 2] Deloitte, 2026 Banking and Capital Markets Outlook (30 October 2025) *https://www.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/ banking-industry-outlook.html*
[3] Deloitte, Tech Trends 2026 (10 December 2025) *https://www.deloitte.com/us/en/insights/topics/technology-management/tech-trends.html*

2. **Federated Mutual Networks:** The rising cost and complexity of technology makes standalone modernisation increasingly difficult. Cyber resilience, cloud infrastructure, AI tooling, fraud prevention, digital identity, compliance, payments and data management become too costly or complex for most institutions to build and run alone. Mutuals remain institutionally distinct, share more of the operating backbone through common platforms, pooled technology services, shared utilities and collective procurement. In this scenario, scale arises less from full consolidation and more from federation. Modern, decoupled and interoperable architecture could allow institutions to collaborate, integrate and operate across multiple brands without the disruption traditionally associated with complex mergers. Shared data standards, common platforms, APIs and stronger supplier governance could create looser forms of scale. But federation, too, requires hard choices, with less autonomy over technology, more standardisation and stronger governance across shared services.

3. **Platform-Dominated Distribution:** Here, customer relationships shift towards digital platforms, marketplaces, super-apps and AI assistants. Customers still need savings products, mortgages and financial guidance, but discovery, comparison, switching and decision support are mediated by third parties. Building societies and credit unions continue to exist but are less visible. Their balance sheets, licences, products and trusted brands still matter, but they operate inside someone else's distribution environment. Some mutuals may perform successfully in this world as efficient product manufacturers with strong underwriting, trusted balance sheets and competitive pricing. But the distinctive value of mutuality becomes harder to sustain if customers experience the relationship through a platform layer.

4. **Autonomous Capital Markets:** In the most radical scenario, financial intermediation becomes thinner. Tokenised assets, programmable contracts, machine-to-machine transactions, automated underwriting and new digital market infrastructure reduce the need for institutions structured like today's banks and building societies. Saving and credit still exist, but more matching, execution and servicing happens on automated rails. Value moves in real-time across tokenised forms of money and assets, while AI agents continuously optimise where customers hold liquidity, seek yield or manage risk, directly challenging the existing model. Lending depends on confidence in the stability, cost and behaviour of deposits. If customer balances become more liquid, more automated and more actively managed by agents, institutions may need far greater sophistication in liquidity management, pricing, credit risk, balance sheet management and funding strategy. For mutuals, the opportunity may lie in becoming trusted interpreters, guardians or validators within more automated systems. But that would be a very different role from the traditional savings and mortgage intermediation of today.

How today's trends connect to these futures

These futures do not arise from a single technology. They emerge from forces already visible today: AI, digital identity, tokenisation, real-time payments, programmable finance, cyber risk, cloud infrastructure, data standards and rising expectations around operational resilience and control. Ultimately, the future may contain elements of all four scenarios. Mutuality may become more machine-readable in some contexts, while distribution becomes platform-led in others, with the impact felt unevenly across different building societies and credit unions. Shared infrastructure may become essential for firms that continue to compete for members directly, while more autonomous forms of finance emerge in specific markets or product areas before spreading more widely. Non-technical factors, such as trust, will also shape the outcome, and likewise may also develop unevenly.

What leaders should be doing now?

While 2050 may feel distant, the decision-point for mutuals is much closer. The next five years could determine whether today's institutions retain the optionality needed to shape their own direction. The future cannot be predicted precisely, but those best placed to succeed will be able to evolve continuously, safely and efficiently. Five priorities stand out.

1. **Decide your future role before deciding your technology agenda.**
   Mutuals should start with the role they intend to play and the technology choices their decisions imply: A relationship owner needs strong front-end, data, personalisation, consent and service capabilities; a product manufacturer needs pricing, underwriting, risk and balance sheet integration strength; a federated participant needs standardisation, interoperability and governance over shared services. Across all roles, however, success will depend on a common set of capabilities: modern technology foundations, faster change capacity, resilient operating models, trusted data, adaptable service models and strong controls. These capabilities are not unique to mutuals, but the implicit economics and purpose of the sector make the choices around them more urgent.

2. **Treat trust as an operating model, not a brand position.**
   Trust remains one of the sector's strongest assets, but it needs to become operationally visible. Mutuals must be able to demonstrate fairness, transparency, accountability and member alignment through data, processes and outcomes. That means making mutuality legible through pricing, product design, complaints handling, vulnerability support, governance and AI decisioning.

3. **Know whether to lead, follow or collaborate.**
   Not every institution should try and lead in every technology domain. The key is to distinguish between capabilities that create strategic differentiation and those that are necessary but non-differentiating. Cyber resilience, cloud infrastructure, digital identity, data management, compliance tooling and fraud prevention may increasingly lend themselves to shared models. Meanwhile, member experience, local relevance, service philosophy and trust may be areas where differentiation is more defensible.

4. **Build only what the institution can afford to sustain.**
   Large-scale transformation programmes can be difficult to fund and harder to complete. Mutuals should sequence investment around capabilities that preserve strategic optionality, including resilient data, secure infrastructure, integration, operational resilience, risk controls, AI governance, regulatory change execution and the ability to connect into shared platforms or ecosystems. Technology investment choices may focus on supporting scale, improving today's customer needs or preparing for needs and purpose that may be accessed and executed in very different ways.

5. **Protect the member relationship but prepare for a world where it may be shared.**
   Platforms, agents and intermediaries may become more influential. Mutuals therefore need a strategy for retaining relevance, visibility and influence over the customer experience. That may involve direct digital engagement, human support for complex moments, stronger community propositions or trusted guidance around major financial decisions. It will also require strong integration, clear product economics, machine-readable value and the ability to demonstrate why a mutual provider should be selected inside an agent-led or platform-led environment.

Conclusion

- In the future, mutuality may become more legible and valuable in AI-mediated markets and strengthened through deeper collaboration and shared infrastructure. Alternatively, it may survive inside platform ecosystems while control of the customer interface is lost. Or the financial system could evolve in ways that reduce the need for traditional intermediaries altogether.
- Whichever scenario proves most influential, technology and digital transformation will not sit at the edges of the model. Decisions made in the near term will determine how mutuals compete, collaborate, retain their purpose and defend their relevance.
- Success will mean retaining strategic optionality: the ability to evidence member value, adapt products and pricing, manage risk in faster-moving markets, integrate with partners, participate in shared infrastructure and keep evolving as technology changes.
- Failure will look very different: high-cost legacy systems, weak data, slow change, expensive integration, loss of customer visibility, unstable funding and an inability to prove why mutuality matters in AI-mediated markets.
- For leaders, the message is uncomfortable and urgent. Standing still is not a neutral option. Indiscriminate investment in technology and capability is also risky. The future will belong to those that make clear choices early enough to preserve optionality as the sector, and the customers it serves, continue to evolve.

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Shape the future
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.

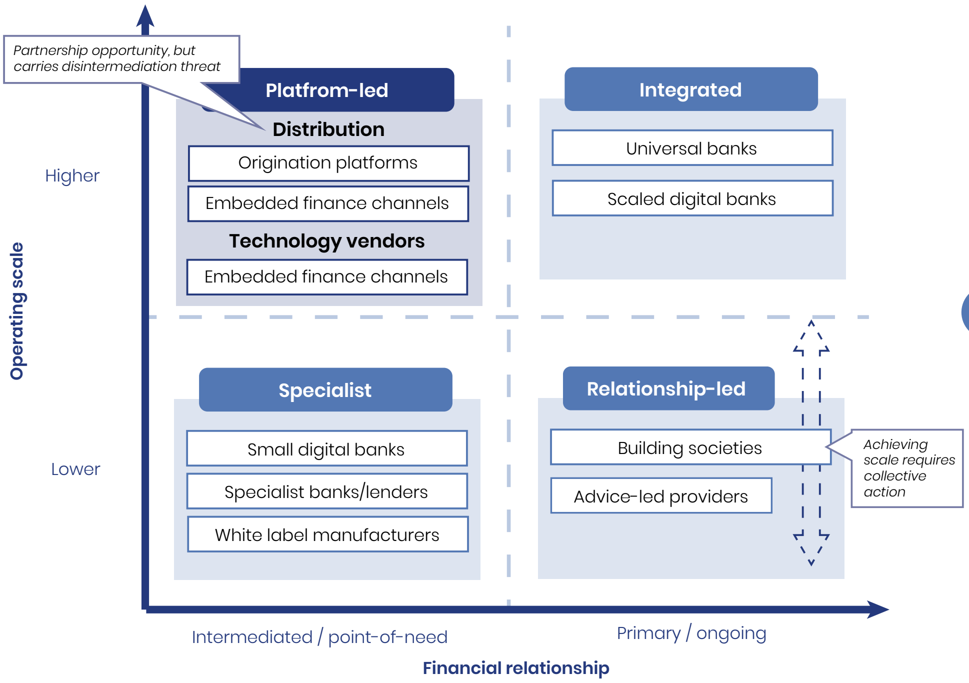
Product innovation (e.g. long-term mortgages) could introduce new players (e.g. insurers) to help secure lower cost funding, but these innovations would likely trigger reactions from other competitors, not least the large banks. Ultimately, it remains to be seen if the barriers to scaling mainstream 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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9:
Sector collaboration

Executive Summary

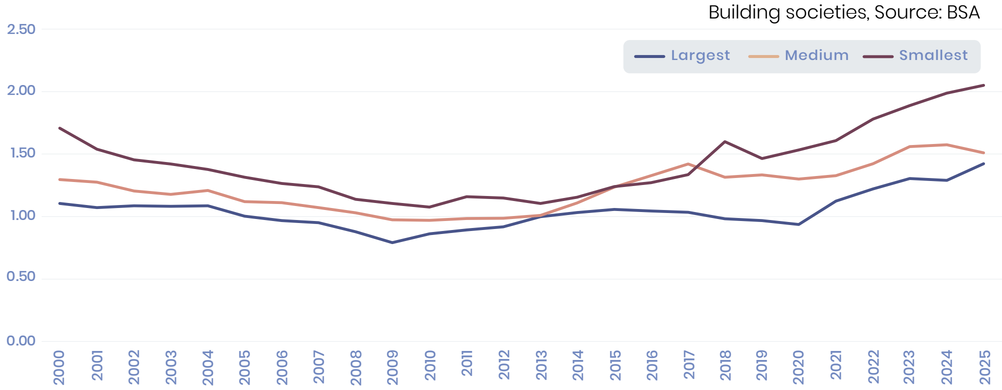
- The mutual sector will not reach its growth ambitions on today's operating model. Technology, regulatory obligations and scarce specialist skills are absorbing disproportionate capacity and slowing modernisation. The outcome is predictable: duplicated build, uneven control maturity and constrained 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.

Sukand Ramachandran, *MD and Senior Partner*
Joe Grundy, *MD and Partner*
Guru Vaidyanathan, *Principal Architect*

10:
Shared services as a pathway to scale and future competitiveness

Executive Summary

- By 2050, building societies will need to operate on platform-based ecosystems to remain competitive. Rising costs will make sector-scale capabilities the baseline. Without shared platforms the widening scale gap with larger banks will leave smaller institutions struggling to keep pace.
- Shared services provide a pathway to achieve scale while preserving the mutual model. By pooling technology and operational capabilities, societies can reduce cost and complexity, improve resilience, and access advanced capabilities, enabling new propositions—while retaining customer relationships, brand, and local presence.
- The core strategic implication is that scale must be achieved through collaboration, not necessarily consolidation. A range of shared services models can be applied in different contexts to enable future competitiveness, with success dependent on coordinated, sector-wide action-led by the BSA-to align institutions, define operating models, and deliver platforms at scale.

1. Scale is becoming a structural requirement for resilience

Scale is increasingly a structural requirement for resilience in the mutual sector — not just in terms of size, but in the ability to access the technology, investment, and operational capacity needed to remain competitive.

Large banks benefit from economies of scale, enabling them to absorb shocks, spread costs, and sustain continuous investment — advantages that compound over time. AI is accelerating this dynamic: large banks and digital natives are deploying AI at scale to reduce costs, improve decisioning, and personalise services in ways that smaller institutions cannot replicate individually.

Mutuals face structural constraints, including legacy technology, higher costs, regulatory burden, limited specialist talent, and reliance on traditional distribution. A widening capability gap is emerging — smaller institutions must meet the same expectations with fewer resources and less capacity to invest.

Scale is no longer optional - it is fundamental to resilience, competitiveness, and long-term relevance.

2. Structural pressures are intensifying—and will continue to do so

Structural pressures — rising AI and technology investment, increasing regulatory complexity, stronger operational resilience, and competition from digital natives — are elevating the baseline capabilities required to operate. Looking ahead, these pressures will intensify further.

Cyber risk is becoming a critical pressure, with increasing attack sophistication and regulatory scrutiny raising the baseline for resilience. AI is directly amplifying this threat: it is lowering the cost and complexity of launching attacks while enabling more targeted, adaptive, and large-scale intrusions. Smaller institutions are particularly exposed due to legacy systems, limited specialist capability, and reliance on third parties — and AI-powered threats make this exposure harder and more expensive to manage individually.

Adapting to these structural changes is complex, resource-intensive, and costly — and increasingly beyond what smaller institutions can manage alone.

3. Shared services provide a pathway to scale without requiring consolidation

Shared services strengthen the technology and operations backbone — enabling modernisation, reducing duplication, improving resilience, and providing access to capabilities that smaller institutions cannot sustain individually — pooling investment and capabilities while preserving independence. In this model, institutions differentiate at the customer interface while operating on shared platforms for core infrastructure, retaining identity, customer relationships, brand, local presence, trust, and member focus.

This approach is already evident in the UK financial system. Banks rely on shared services across payments (Pay.UK, CHAPS), cash access (Post Office, bank hubs), fraud (CIFAS), and credit data (credit bureaus), competing at the front end while relying on shared infrastructure behind the scenes.

Today, cost-to-income ratios across building societies[1] vary significantly, with larger institutions operating in the low-to-mid 50s, while smaller societies face structurally higher cost bases due to sub-scale technology and operations. Shared services have the potential to narrow this gap — first improving efficiency across the sector and, over time, enabling a more consistent move toward the 40s or below as scale, standardisation, and automation take hold. Beyond cost efficiency, this shift also improves speed to market and delivery consistency, enabling institutions to respond faster to regulatory change and evolving customer needs. They do not themselves solve for customer relevance, growth, or differentiation — but they act as a critical enabler, creating capacity for investment in innovation and customer experience.

This is not simply a technology or outsourcing decision. For building societies, shared services represent a structural change in operating model — and a necessary one if the sector is to achieve the scale required to remain competitive while preserving its mutual identity.

4. International experience demonstrates that shared services work at scale

Global experience shows that shared services have been successfully implemented across cooperative, mutual, and regional banking systems, demonstrating that sector-scale capabilities can be achieved without consolidation.

Global shared services landscape

Country	Model	Provider / Platform	Scope	How the model operates	Key Insight
Germany	Cooperative utility	Atruvia	Core banking, digital, data centres	Single, sector-wide IT platform operated centrally for all member banks with high standardisation	Full sector adoption enables deep scale and standardisation
Germany (Savings Banks) Sparkassen-Finanzgruppe	Sector utility (public-sector cooperative)	Finanz Informatik (OSPlus platform)	Core banking, payments, digital, data, analytics	Central platform (OSPlus) providing core banking, payments, and digital services across all savings banks.	Near-universal adoption drives standardisation, sustained investment, and expansion into data and AI capabilities.
France	Group subsidiary	Euro-Information	IT, payments, operations	Central group entity delivers integrated technology and operations across all affiliated banks	Highly integrated platform model

continued on next page

[1]Analysis of Annual reports of Nationwide Building Society, Yorkshire building society, Coventry Building Society and other mid/small society disclosures (where available)

Global shared services landscape (continued)

Country	Model	Provider / Platform	Scope	How the model operates	Key Insight
Spain	Federated model	Grupo Caja Rural / RSI	Core banking, treasury, payments	Shared core platform and central services, with local institutions retaining operational autonomy	Balances autonomy with shared capability
Italy	Hybrid model	Allitude	ICT and back-office	Group-owned service company delivers IT and operations, with infrastructure partly outsourced to partners	Combines cooperative ownership with outsourcing within Cassa Centrale Group
Ireland	Joint venture	Metamo	Lending, HR, digital	Jointly owned platform with external partner delivering shared services across participating institutions	Extends shared services beyond IT
Australia	Utility / hybrid	Cuscal	Payments, data, fraud	Sector utility delivers payments and data services, with increasing use of external capital and partnerships	Platform scaling through hybrid models
United States	Vendor-led / CUSO	FIS, Fiserv, Jack Henry	Core banking, payments, operations	Third-party providers deliver core systems and operations across multiple banks on shared platforms	Vendor-driven shared services at scale

Across these markets, shared services consistently enable institutions to pool investment, access advanced capabilities, and operate at scale while maintaining independence. While many existing models were established in a different technology context, the next generation will be shaped by AI-native, agentic capabilities — developed once and deployed across institutions — moving from static, standardised processing toward dynamic systems that handle customer engagement, servicing, and decisioning simultaneously, delivering both cost efficiency and more personalised member experiences.

Emerging next-generation shared service models
Shared service utilities are increasingly moving beyond standardisation and cost efficiency toward AI-enabled, customer-facing capabilities — using central platforms to deliver next-generation services at scale.

AI-enabled personalisation at scale
German savings banks are leveraging their central platform to build shared data and AI capabilities across the network. Emerging initiatives focus on customer personalisation at scale through centralised data models, analytics layers, and decisioning engines deployed consistently across all institutions. This shows how shared service platforms can evolve from standardised processing into AI-enabled systems delivering differentiated, data-driven customer experiences.

Agentic AI for operations and engagement (Cooperative banks)
In India, cooperative banks are collaborating on a centralised technology and operations utility, with early AI deployments focused on agentic outbound call systems for collections and customer engagement. These AI agents execute high-volume interactions using shared data and models, improving recovery rates, reducing cost, and enabling consistent outreach. This demonstrates how shared services can rapidly scale AI to transform both operational efficiency and customer engagement.

5. Three archetypes of shared services, with increasing impact

While shared services can take many forms, they evolve along a clear spectrum of integration - from sharing technology, to utilities, to full operational platforms. This progression reflects a shift from individually owned capabilities to shared, industrialised platforms. For building societies, this is a strategic decision about what remains differentiating and what can be standardised and shared.

Shared Service Archetypes

Archetype	Description	What stays in-house	What is shared / externalised	Benefit & challenge addressed	Global examples
Technology platforms	Shared core banking, digital channels, and infrastructure layers	Customer relationships, product design, pricing	Core systems, platforms, infrastructure, Cyber security	Reduces legacy complexity and cost	U.S. (Jack Henry)
Technology + shared utilities	Platforms plus payments, KYC, fraud, compliance	Customer experience, product innovation	Payments, compliance, risk utilities, Security operations	Improves efficiency and resilience	Australia (Cuscal)
Fully integrated platforms	End-to-end tech + operations	Customer interface, brand	Operations, servicing, processing, security operations	Maximises efficiency and scale	Germany (Atruvia)

6. Operating models and governance are critical to success

While the archetypes define what is shared, operating models define how shared services are delivered.

Feasible operating models

Model	Description	Pros	Cons	Examples
Sector-owned	Member-owned platform	Alignment, control	Complex governance	Germany (Atruvia)
Federated	Shared standards + autonomy	Flexible, inclusive	Fragmentation risk	Spain, Brazil (Grupo Caja Rural / RSI)
Joint venture	Co-owned with partners	Faster innovation	Governance complexity	Ireland (Metamo), Australia(Cuscal)
Vendor-led	Third-party platforms	Fast, low investment	Governance complexity	United States (Jack Henry, FIS)

A one-size-fits-all approach is unlikely to work-larger societies may adopt more integrated models, while smaller ones may favour utility approaches, requiring flexibility across differing capabilities, scale, and ambition. Looking ahead, this could extend to shared 'AI factories', where institutions pool data, models, and capabilities to build and deploy AI-driven services at scale.

The most appropriate model will vary by institution size and capability: smaller societies may operate on shared platforms with lean models, mid-sized institutions may adopt hybrid approaches, and larger societies may act as anchor participants.

7. Delivery requires coordinated, sector-wide action

Realising this opportunity will require new capabilities, stronger partnerships, and structural changes in how the sector collaborates and operates:

- Stronger governance and funding models
- Clear participation structures (e.g. mandatory vs optional)
- Greater standardisation of non-differentiating capabilities
- Deeper collaboration with technology partners
- Engagement with regulators and government to enable supportive frameworks
- Clear leadership, collective commitment, and coordinated execution

The BSA has a central role as the sector's convening and orchestrating body — aligning institutions, defining operating models, enabling coordinated delivery, and engaging regulators and government to shape supportive frameworks.

Conclusion

The trajectory the sector takes will determine whether shared services become a source of strength or a missed opportunity.

Success in 2050 would see:

- Shared, scalable platforms improving capability, reducing cost and strengthening resilience
- Sector-wide scale achieved while preserving independence and trust
- Sustained investment in innovation and customer experience

Failure in 2050 would see:

- Fragmented adoption limiting scale benefits and leaving costs uncompetitive
- Continued reliance on legacy systems and duplicated operations
- A widening gap with larger banks, reducing relevance of smaller institutions

The question is no longer whether building societies need scale, but whether they can achieve it together — and at sufficient pace.

Acknowledgements: *Saurabh Tripathi, Global Leader Financial Institutions Practice*

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Enablers: Under What Governance?

Ben Koehne, *Partner - Head of Financial Services Sector*
Christina Proffitt, *Knowledge Counsel*

11:
Law and regulation

Executive Summary

- The legal and regulatory framework governing building societies, particularly the Building Societies Act 1986, has provided a durable foundation for the sector. However, looking ahead to 2050, the framework requires modernisation in a number of areas to enable societies to innovate, grow, and compete effectively in a rapidly evolving financial landscape. If successful, a modernised legal and regulatory framework should deliver direct benefits to members, improving access to mortgages, supporting long-term savings, and ensuring the continued availability of community-focused financial services.
- Law and regulation should be harnessed as strategic enablers, not constraints, supporting building societies to deliver enhanced member value through digital transformation, product diversification, and collaborative infrastructure, while maintaining a level playing field with banks and other competitors.
- Good governance will remain a key differentiator in the run up to 2050 and beyond. Societies that invest in strong, forward-looking governance which integrates digital and ESG oversight with appropriate risk management, will build trust, resilience, and the agility needed to respond to changing member and regulatory expectations.
- The sector's ability to shape proportionate, practical regulation and prudential standards, through collective action and robust evidence, will be critical to ensuring mutuals can scale, collaborate, and sustain their distinct model without being hampered by excessive compliance burdens.
- Proactive engagement both collectively (via the Building Societies Association, (the "BSA")) and at board level within individual societies, is essential to drive legislative reform and secure a modern, enabling framework that supports a confident, sustainable mutual sector for the next generation.

As the building societies sector looks towards 2050, a central question is whether the legal and regulatory architecture will actively enable societies to thrive in a transformed financial and technological environment or leave the sector competing at the margins. This chapter takes an aspirational view. Law and regulation can, and should, operate as an enabler of a confident mutual future, setting clear guardrails while creating room for innovation, collaboration and member-led growth, in which building societies are able to spearhead strategic transformation and compete on a level playing field with financial services sector peers, with collective action acting as a catalyst for future change.

1. The legal architecture of mutuality

The Building Societies Act 1986 (as amended) (the "BSA 1986") currently remains the foundational statute governing the way building societies operate. It does more than just define organisational form: it hardwires the mutual bargain into law within a dedicated statutory framework. The BSA 1986 is what makes a building society a building society, rather than a bank with a different name. It enshrines the principal purpose of a building society as being that of making loans which are secured on residential property funded substantially by its members, reinforced by nature limits (the funding limit and lending limit). Importantly, it frames democratic accountability to members, underpinned by the principle of one member one vote, and alongside the broader duties of the directors under common law and equity, as an essential element of how a society operates, rather than a voluntary governance choice.

The current legislative framework has proven remarkably durable since the mid-1980s; it has adapted to major market, regulatory and technological change, including, amongst other things, the demutualisation era of the late 1990s / early 2000s, the introduction of the Financial Services and Markets Act 2000, the global financial crisis of 2008 and significant industry consolidation and transformation.

But durability alone is not enough. Looking to 2050, the regime must keep pace with evolving ways of delivering member value. It must be ready to provide an up to date and practical framework in which building societies as modern mutuals can effectively operate, innovate, collaborate within the sector, while competing on a level playing-field with banks and other industry competitors and minimising unnecessary complexity.

Some particular themes to be addressed through a supportive legal and regulatory regime include ensuring that:

- Societies can meet evolving customer demands by easily extending their products and services (whether digital-first savings products or mortgage features, current accounts, lending, payments or other more diversified services and solutions) in a responsible manner that reflects modern banking practices, without running up against unnecessary friction or barriers.
- Societies are not placed at a practical disadvantage to ring-fenced or other banks in relation to the flexibilities afforded to them.
- Smaller societies have greater access to a comparable range of capital instruments and markets to banking and other industry competitors, enhancing their options for growth and resilience without triggering disproportionate regulatory cost.
- Societies can operate more collaboratively with each other (for example, through the use of jointly operated technology platforms or shared financial crime utilities with other mutuals) without unnecessary legal and regulatory friction and/or uncertainty.
- Societies and their members continue to enjoy the maximum flexibility to operate in an increasingly digital age, including from a customer perspective and in relation to attendance and participation in non-physical member meetings.

Adverse scenario: Macro-economic, geopolitical and pressures consume Parliamentary time; needed reform is deprioritised. If the regime fails to keep pace, building societies cannot realise their full potential, adapt to changing customer demands or compete effectively, leading to the erosion of customer choice.

Positive scenario: The legislative and regulatory regime is modernised in a timely, targeted way; unnecessary friction is removed and reforms keep pace with market developments. Societies gain greater freedom to tailor products and services to customer needs, operate flexibly in a digital environment and pursue new opportunities to strengthen and diversify their business models. A modern framework should also support more effective domestic and international collaboration, including in technology and financial crime infrastructure; alongside this, the PRA's Strong and Simple framework offers real potential for proportionate prudential treatment, enabling societies to redirect resources from compliance processes to member-focused innovation.

2. Governance as a competitive advantage

Good governance should be seen as a strategic opportunity for building societies, creating a competitive advantage. Its focus on accountability, transparency and robust procedures, both to protect members' interests and assets and to reduce the risk of harm, are fundamental to building trust among a society's members, its workforce and its regulators. This can lead to a stronger, more loyal and engaged customer and member base, as well as an ability to attract and retain talent.

Good governance also supports the directors' core fiduciary duty to act in the best interests of the society, with the interests of current and future members - primarily as customers and secondarily as owners - at the heart of decision-making. This underlines the important role governance plays in ensuring that societies seek to understand and assess member interests both in the short and long term. In doing so societies are able to proactively respond to and pre-empt member/customer needs, with a strong emphasis on offering attractive products and high standards of service. At the same time, good governance ensures that societies remain focussed on managing risk and remaining sustainable within a prudent legal and regulatory framework, rather than being principally focussed on external shareholder returns.

By 2050, governance will become an even more critical differentiator. In particular:

- In an increasingly crowded and diversified market within the retail banking sector and with the accelerating disruption resulting from new technologies and changes in consumer behaviour, societies must strengthen member engagement and reinforce the mutual model.
- In an uncertain environment, robust governance will support stronger risk management and faster, more effective decision-making.
- Boards must continue to adapt their skills to address regulatory complexity; proactive identification of gaps, particularly in AI and cybersecurity, will be essential.
- Societies will need to embed Environmental, Social and Governance issues more deeply across their strategy, risk management, remuneration and reporting, with greater scrutiny likely to focus on issues such as climate-related financial risk considerations, social impact and financial inclusion, financial wellbeing, and the use of ethical supply chains.

The most resilient building societies in 2050 will be those that are investing now in enhancing their governance frameworks; approaching governance as a strategic strength and opportunity rather than a compliance obligation.

3. Regulatory futures: a scenario analysis

The regulatory environment in 2050 will be shaped by forces that are, at present, only partially visible today. The table below maps four plausible (non-exhaustive) trajectories. These scenarios are not mutually exclusive; elements of each may materialise in combination.

Scenario	Description	Pressure Points	Implications for building societies
Proportionality Dividend	Regulators use the Financial Services and Markets Act 2023 competitiveness objective to design lighter, better-calibrated rules for smaller mutual institutions.	Political will to sustain proportionality over multiple regulatory cycles; risk of regulatory drift back toward one-size-fits-all.	Boards treat regulatory engagement as strategic. Compliance savings reinvested in product innovation, digital capability and member engagement. Mutual model strengthened.
Compliance Convergence	Internationally driven frameworks covering financial crime, data, operational resilience, and capital become so demanding and uniform that smaller societies struggle to keep pace.	Compliance/technology cost erodes mutual cost-model advantages; pressure toward consolidation or demutualisation.	Early investment in scalable compliance infrastructure essential. Sector-level shared services for certain societies become critical. Otherwise, an existential risk for some societies.
Digital Accountability Inflection	Regulation shifts focus towards AI-governance, algorithmic accountability, and digital consumer protection; creating new expectations for technology-enabled firms.	Societies without adequate digital governance face supervisory scrutiny; but those who lead may gain competitive advantage through trust.	Governance frameworks must integrate technology oversight at board level; digital ethics as a mutual differentiator.
Consolidation Imperative	Regulatory and market pressures, including Strong and Simple eligibility decisions, shared infrastructure governance, and Consumer Duty evidencing, accelerate sector consolidation.	Certain societies face strategic choices — whether to merge, convert, or establish a sustainable niche — but similar questions increasingly arise for less innovative societies, where organic growth alone may not address structural pressures. In all cases, accountability to current and future members and the best interests of the Society remain paramount	Proactive policymaker engagement essential. Strategic consolidation pursued from a position of strength, not weakness strongly preferable. Consolidation, wind down or resolution as a result of regulatory cost/potential distress may be viewed negatively and potentially as a loss for customers/ communities; consolidation by strategic choice can amplify mutual scale.

4. Prudential considerations for mutual scale

The prudential framework will be a critical determinant of the sector's shape by 2050. Financial soundness is essential to operate as a deposit taker, sustain depositor confidence, expand lending, and meet regulatory expectations of safety and resilience. The sector already operates within a differentiated prudential landscape; larger societies face more complex capital, reporting and resolution requirements. Smaller societies benefit from simplified prudential treatment benefit, but must actively manage their balance sheets and growth trajectories to remain eligible. Prudential design is therefore likely to operate not only as a risk control mechanism, but as a structural influence on scale, growth and consolidation within the sector.

Capital and leverage requirements should also reflect the risks actually posed by the mutual model. Building societies' concentration in prime residential lending, funded predominantly by retail deposits, can present a different risk profile from that of shareholder-owned banks, yet the framework does not always differentiate accordingly. The leverage ratio in particular can bear disproportionately on low-risk, mortgage-focused balance sheets. Policymakers should also be open to new models, approaches and sources of capital for the sector over the coming decades, whether through instruments, pooled or aggregated issuance by smaller societies, or potentially support from institutions such as the British Business Bank, so that the sector's capacity to grow is not constrained by the structural limits of retained earnings alone.

Adverse scenario: Eligibility for simplified prudential treatment is set too narrowly, or applied rigidly; a structural gap emerges between simplified requirements and the full capital and resolution framework, creating a two-tier sector. Societies approaching scale face disproportionate increases in regulatory complexity and costs, creating a legal disincentive to grow beyond certain thresholds. Regulatory design, rather than member need or commercial logic, becomes the primary constraint on expansion.

Positive scenario: The simplified prudential regime is implemented in a stable and proportionate manner, with eligibility criteria reflecting the risk profile, funding model and governance of mutuals, with clear transition pathways to avoid cliff-edge effects. The distinction between simplified and full prudential requirements supports effective supervision without creating barriers to growth. Qualifying societies benefit from clearer supervisory expectations and reduced complexity, enabling resources to be redeployed toward core mutual activities such as mortgage lending and savings provision, reinforcing the case for mutuality as a durable and distinct model.

5. Consolidation and structural evolution

The drivers of structural change are well-understood. The key test is whether any such change, whether by organic growth, consolidation, or other strategic transactions, is in the best interests of each society's respective members and that the rationale for pursuing a particular opportunity is driven by compelling strategic drivers. Looking to 2050 the question is not only whether societies can meet the required standards and legal and regulatory expectations to remain sustainable for the future, but whether the sector can pro-actively harness these requirements to preserve and enhance member value - through greater scale, collaboration and smarter infrastructure.

6. Law as a Strategic Capability and the Role of the Sector in Shaping Its Future

Law and regulation are not external constraints to be managed: they should be viewed as key enablers. A modernised statutory framework, proportionate prudential and conduct expectations, and a regulatory culture that understands the distinctive governance of mutual institutions are all key building blocks of a sector that can serve the next generation of members as effectively as it has served the last. The BSA 1986 created the modern sector; successor legislation will shape its future, and societies should help drive reform through early engagement and practical proposals.

For policymakers and legislators, the message is equally clear. Building societies are not relics of an earlier financial era: they are a proven resilient and dynamic force within the United Kingdom's financial services sector that delivers real value to communities across the United Kingdom. The legal and regulatory framework should reflect that.

No individual building society, however well-governed or resourced, can modernise the statutory and regulatory framework alone. This requires, amongst other things, parliamentary time, political will and a robust evidence base. This makes the role of the BSA, and the sector's collective engagement through it, central to the modernisation agenda.

The BSA has an important role to play as a co-ordinator and facilitator working closely with societies to translate their operational and practical experience and vision into coherent, future-focused reform proposals that policymakers can act upon.

In the run up to 2050, this means:

- Building and sustaining a cross-party parliamentary coalition for BSA 1986 reform, grounded in the clear public benefit of the mutual model, as acknowledged by both the current and previous Governments, and the important role that building societies play in helping people get access to mortgages to buy homes, supporting long-term savings, improving financial inclusion and providing important financial services to local communities.
- Proactively engaging with the PRA and FCA to shape proportionality frameworks, Strong and Simple eligibility criteria, and Consumer Duty guidance in ways that recognise the distinctive governance and risk profile of mutual institutions.
- Developing robust, sector-wide data and evidence on member outcomes, the compliance burden, and the economic contribution of the mutual model, to make a compelling case for reform to HM Treasury and relevant regulators.
- Exploring, where appropriate, shared infrastructure arrangements, e.g. across technology, financial crime, compliance functions, to enable smaller societies to meet rising regulatory standards cost effectively and sustainably.

Conclusion

- Collective action across the sector will remain essential in the run up to 2050. The societies best placed to prepare for 2050 will be those whose boards treat legal and regulatory strategy and policy engagement as a core capability; for example, actively inputting into consultations, responding to discussion papers, and maintaining direct engagement with the BSA and decision makers to amplify the sector's collective voice, helping to shape the sector's future framework as architects, not as passive recipients.
- However, urgent action is needed now to identify and set out the changes the sector wants to see for the future. If the sector does not act, there is a risk that the existing framework could become a constraint on mutual ambition.
- Legislative modernisation must start today, framed as a national-interest case. The sector must proactively influence and shape both legislation and regulation to secure the outcomes it needs for long-term success.

Acknowledgements: *Richard Preston, Managing Associate, Addleshaw Goddard*

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12:
AI and data regulation

Executive Summary

- In 2050 a mutual model speaks to customers by offering a trusted AI and human operating model focussing on good AI principles of transparency, explainability, accountability, accuracy and fairness, addressing distrust and scepticism of Big Tech
- To ensure a 2050 regulatory regime that is effective in addressing AI operating models, new specific rules and guidance needs to be developed to address significant risks of customer harm
- It is incumbent on the BSA, building societies and credit unions to drive the industry and agentic regulation by collaborating and engaging with regulators on development of the road map to the 2050 specific regulatory regime based on core mutual principles. This will required AI fluency across the mutuals community
- Business opportunities that are currently open to mutuals will likely be diminished if they cannot keep up with the fast-paced change of AI and agentic solutions.

Overview of 2050

In 2050, building society and credit union operating models heavily involve autonomous AI. High capability AI agents have joined the digital workforce. Alongside humans, they act independently with autonomous decision making within defined parameters, with human oversight but without continuous human input. Mutual agents and customers' own agents operate using digital personas and embedded digital identities, which are empowered to act on behalf of customers and entities.

Financial services regulation, data protection and supervision is undertaken on a day-to-day basis by regulator agents, regulating in real-time and near-time , using data protection compliance, prudential, compliance and Consumer Duty agents. Human regulation is mostly focussed on escalation and broader regulatory strategy.

In the past 25 years there have been a number of significant AI agent failures as technology and operating models have developed and resulting in material harm and loss to UK customers.

2050 Agentic operating models

Agent-to-agent (A2A)/machine to machine interoperability is standard and includes message passing, intent negotiation, structural collaboration between agents, multi-agent task orchestration and dynamic role assignment. Firms are empowered to negotiate and execute contracts/product terms and conditions and autonomously sign-up clients for financial products within pre-prompted parameters. Agents resolve 100% of day-to-day customer interactions without human input, and proactively suggest steps to enhance performance and customer satisfaction. Biometric data is used to identify and authenticate customers.

In 2050 customers have the following behaviours:

- High adoption of A2A operating models by a significant percentage of potential customers
- Deep scepticism of big tech and AI agents within the remaining pool of potential customers. This is based on a previous poor experience and/or publicised failings with AI agents over the years (as noted above)
- Desire to keep personal information restricted and concern regarding facial recognition and biometric data
- A need for human interaction when it comes to critical financial decisions or in moments of financial stress

These desires and concerns result in successful mutuals offering a multi-channel approach by providing an option for a 'human' interaction channel, whether standalone or hybrid, which stands out in the shareholder focussed market.

Building Society and Credit Union 2050 workforce

All levels of staff and directors need to be AI-fluent, with specific focus on AI governance. Governance and controls as we understand them today move into the first line of defence, embedded across the A2A lifecycle. Traditional point in time validation is no longer sufficient for continuously learning and self-coding models. They utilise their own teams of 'ethical agents', 'compliance agents' and 'privacy agents' to undertake day to day second line functions, where human employees provide oversight of the AI agents on a real time and periodic basis of those tasks. Staff focus is on designing specifications around how the agents function and interact, while governance looks at design specifications and customer outcomes.

2026 to 2050 Law and financial services regulation

In 2026 the UK does not have AI-specific legislation or AI-specific financial regulation. There is a patchwork of AI regulation in other countries. The UK regulators rely on the existing regulatory framework to supervise financial services firms' use of AI.[1] Currently there is no intention to introduce a specific AI regulatory regime in the UK. Instead, the UK regulators expects firms to apply existing frameworks, such as AML, SMCR, data protection and the Consumer Duty to AI systems. In their view, the risks associated with AI, including accountability, consumer harm and third-party risk, are already covered by current rules.

Industry stakeholders have stated that there is significant uncertainty about expectations, particularly in light of the speed of change and the amplified impact AI can have, at much greater speed and scale. Much of current legislation does not anticipate the embedded nature of agentic AI in 2050 as described above.

In terms of law and regulation there are some broad possible scenarios, two of which are below. We do not offer an opinion on the likelihood of each scenario.

[1] Treasury Committee - Artificial intelligence in financial services. Fifteenth Report of Session 2024–26 HC 684 published 22 January 2026.

Scenario 1 Everyone for themselves

In 2050, there is weak coordination between firms and regulators. This leads to fragmented, reactive oversight, unclear cross-border rules and firms building AI architectures without clear standards, increasing operational risk and reducing effective controls. Agentic failures, cascading errors (errors made in respect of a consumer are committed to agent memory and compounded through the cascade, making them difficult to identify, amend and eradicate)[2] and unclear accountability drive customer harm, litigation and loss of trust. There have been a number of swings from under- to over-regulation and there is ultimately restrictive regulation that limits AI adoption across financial services. Consumer trust in A2A models is critically impaired.

Scenario 2 Collaboration and active engagement

Under this scenario, law and regulation sets out specific and detailed requirements for AI agent operating models whilst continuing with the principles-based current approach. Regulation is developed around AI principles based on ensuring good customer outcomes and protection, which align with member interests. As such, mutuals have proactively invested time and collaborated with regulators to develop the longer-term regulatory approach based on these principles, which then support their structural advantages. In contrast, a shareholder owned competitor must balance the tension between these principles and aims for greater volume and profit:

Transparency and explainability	Accountability	Accuracy	Fairness

- **Transparency and explainability**
  AI solutions are developed and delivered in a way that answers the questions of *why* and how a decision was reached. Transparency has become a competitive advantage for building societies.[3] Members want to know that their mortgage decisions are fair and well-reasoned, showing the logic behind an agent's scope. Permission will be part of that disclosure for customers, auditors and regulators. Regulatory agents regularly test agent design on this issue.

- **Accountability**

  Operating models are clear where human oversight should be embedded across the AI lifecycle to manage risk and comply with applicable rules and regulations. It is a high priority for regulators to assess firms on this issue.

- **Accuracy**

  Structured clean and consistent data will continue to be the basis for compliant agentic model operation. Disorganised and low integrity data are the focus of regulatory focus – akin to 2026 regulation.

- **Fairness**

  AI can operate with embedded bias which could threaten positive customer outcomes and drive financial exclusion for the most disadvantaged consumers. The architecture and agents are required to be built with fair and ethical treatment at their core. The regulators' ethics agents will assess outcomes on a real-time and near-time basis.

[2]ICO tech futures: Agentic AI Report – 8 January 2026
[3]"Why Agentic AI Is the next big shift for building societies" BSA

In 2050, regulation includes specific legislation and practical guidance developed with industry, in the areas outlined in the Box to the right.

The market has developed compliance and privacy tools as second line agents. The ICO noted in their January 2026 report that privacy agents could be a more vigilant guardian of personal information than an individual.

Box 1: Regulation will address the following areas of potential uncertainty and risk:

- Definitions and risk categorisation of agentic models and activities
- Security measures needed to manage the increased risk of cyber attacks including biometric authority and facial recognition
- Automated decision making and contractual, agent liability, kill switches and framework for consumers to contest decisions and ask for human intervention
- The AI agent Interaction Policy and Agent Framework and approval by the regulator
- Expectations for risk management – in particular risk categorisation of tasks (e.g. loan default, forbearance and repossession decisions as high risk) and where human interaction/engagement is mandatory
- Accountability and the level of assurance expected
- Benchmarking and evaluation of agents
- Audit frameworks for reviewing AI agent actions, operating frameworks, ethical standards, agent scope and permissions

Conclusion: Opportunities for Building Societies and Credit Unions

- Agentic AI will reshape how consumers interact with markets, delivering meaningful benefits. Consumer trust is critical for adoption and engagement.
- There is deep scepticism around AI operating models and concern around the use of personal data. A mutual can stand out as being able to attract customers away from big tech and big bank firms by speaking to these concerns.
- As building societies and credit unions already focus on customer-focused business model development, they have an advantage in mapping to existing ethical frameworks. However, a breach of this trust could result in outsized reputational damage and business impact, as building societies and credit unions are expected to have higher standards in these areas.
- By ensuring that agentic systems are developed and deployed in ways consumers can understand and rely on, in using 'ethical agents', 'compliance agents' and 'privacy agents' as well as providing human led engagement, building societies and credit unions have the opportunity to position themselves at the forefront of the market.

Jeff Morris, *Partner*
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13:
Governance and leadership

Executive Summary

- **Governance must evolve from compliance to forward-looking strategy.**
  Boards will need stronger capabilities in scenario planning, technology, and long-term strategic thinking-moving beyond traditional balance-sheet focus to rethinking relevance in a rapidly changing landscape.
- **Leadership success will depend on diversity, adaptability, and quality of decision-making.**
  High-performing boards will combine varied skills, bring in external perspectives and experiences, supported by stronger dialogue, and the ability to challenge assumptions and adapt quickly as conditions change.
- **Future capability is about people as much as platforms.**
  Mutuals must build and attract talent with broader, transferable skills (curiosity, judgement, customer insight), augmented by AI in the boardroom, and actively develop their own talent pipelines to remain competitive in a more complex, tech-driven environment.

Looking back briefly helps set the context before looking forward.

Since the Global Financial Crisis almost 20 years ago, building society governance and leadership has improved significantly.

The drivers of these changes have been threefold:

- Better understanding and management of risk and financial control
- Regulation; most notably Mortgage Market Review, Prudential Regulation, the Senior Managers Regime and Consumer Duty/TCF
- Higher expectations and standards of governance across all markets.

Specifically this has been evidenced in building society Boards and Executive teams by careful consideration of the capability requirements to successfully lead and govern the societies and, as a result, significantly improved board and executive risk, finance and market capability. Notably much of the new board and executive capability within the sector has been drawn from banking and other segments of financial services. Latterly, boards have also sought to increase technology leadership and governance capability, in response to both legacy system challenges and the emergence of digital channels, and expertise in consumer insight and engagement, a trend we see continuing.

The past two decades since the Global Financial Crisis, have been a very successful period for building societies. They have grown their market share and successfully re-engaged with their purpose, in a variety of relevant ways, and started to communicate a differentiated mutual proposition.

However, the scenarios set out elsewhere in this paper collectively describe a financial services market in 2050 that will be radically different to the one we know and understand today. So what do we believe this will mean for leadership and governance of building societies over the next two to three decades?

Observations and Key Tenets

Observations and Key Tenets	Leadership and Governance Need / Impact
Remaining true to building societies' core purpose "getting people into homes and supporting their financial resilience".	• **Belief and proactive engagement with core purpose and value of mutual ownership.**
Consumer consideration and excellent execution have to be a given.	• **Continuing to develop and retain the capabilities to deliver excellent outcomes for members in a rapidly changing and competitive environment.**
Remaining sustainably profitable in a rapidly changing competitive environment.	• **Effective business planning and evaluation of current performance and, critically, forecast performance.**
Horizon scanning and thoughtful scenario planning will be absolutely vital. Thinking the unthinkable, e.g. "What if we can no longer profitably provide mortgages?"	• **Probably the need for sector-level, long-term market scenario setting for societies to apply.** • **Capability - within the business or sourced externally - to evaluate market scenarios and develop long-term objectives and strategies.** • **Capacity to re-think relevance and business model.**

Themes

The two themes that jump out here are:

The importance of know-how and capability to deliver consistently – very much the core requirements of leaders and governance currently and over the last few decades.	The requirement to think differently, envision and create new strategies and solutions. Drawing on core competencies of creative thinking and holistic problem solving - well beyond financial engineering and balance sheet management.

As is apparent from the themes identified elsewhere, this is the major challenge for the sector. Leaders, executives and board members will need the capability and to consider and develop strategies and solutions to navigate the impact of climate change, changes in demographics and home ownership and home making, and the opportunities and challenges brought by technology enabled changes in consumer behaviour and consumption, business models and proposition delivery. All will be essential, in our view. Prioritising, say technology impacts alone, will be unsustainable.

All of this will also need to be considered in the context of increasing cyber risk and both economic and social, future global shocks.

Notably we are already seeing this level of horizon scanning in some businesses and sectors. For example, the Chair of Tesco has established biannual, visits to universities and businesses, to understand evolving technologies and new business models and Sky have envisioned their business beyond the current subscription model.

Board and Leadership Impact

Diversity will be the foundation of successful building societies in 2050. Boards and executive teams that bring together different capabilities, perspectives and ways of working will be far better equipped to address the complex and rapidly evolving challenges ahead. While this might sound like a familiar theme, the evidence is clear: diverse, collaborative teams outperform those with narrower experience when solving complex problems and developing sustainable strategies.

The diversity required will go well beyond gender and the protected characteristics that have rightly been a focus in recent years. What will matter just as much are differences in sector background, experience and knowledge, thinking styles, ways of working and lived experiences of politics, economics, technology, society, communities and family life. This breadth will strengthen leadership judgement and strategic insight.

Critically, the **quality of dialogue at board and executive level** will need to change. Conversations must become more forward looking, more questioning and more open to constructive challenge. The increasing diversity of boards, and the wider use of external advisers, will also place even greater importance on the Chair and CEO's role in shaping, facilitating and synthesising debate and guiding strategic development.

A natural question follows: **will boards and leadership teams need to become larger** to deliver this breadth? In our view, no. Larger groups would quickly become unwieldy. Instead, we expect leaders to make greater use of advisory boards, external experts and wider sector and market insight to augment their thinking and develop strategies.

How organisations access the necessary capability will vary by scale: larger societies may build dedicated internal resources, while medium and smaller societies are likely to rely on shared sector capabilities and external support. Though much of this expertise and application will likely be provided by AI, which will be game changing for smaller businesses, if they can harness it.

Whatever model is used, diverse leadership teams aligned to core purpose will stand the best chance of success, with one or two provisos.

First, strong delivery capability, governance and regular performance evaluation must continue. Second, leaders will need genuine agility and humility. As change accelerates, the ability to alter course quickly when something isn't working must be seen as a normal and acceptable cost of progress. In this regard, without short term shareholder scrutiny, mutuals may be at an advantage to plc cousins.

While execution remains essential, deep financial services expertise may no longer be the decisive requirement it once was. With compliance, credit evaluation and other technical processes increasingly supported by AI enabled tools, the leadership capabilities that matter most will be those that travel across sectors: curiosity; clarity of purpose and vision; the ability to shape proactive, engaged cultures; strong planning; team and capability development; effective monitoring; and the discipline to adapt strategies as data and insight emerge.

A central pillar of future strategy will be a rich understanding of what members want and need. This further underlines the value of curiosity, insightful questioning and - where evidence is incomplete - the judgement to anticipate what individuals and families will require to build financial resilience and secure a good home.

This raises another practical issue: **where will societies find and develop the capabilities required?** Two structural changes are particularly relevant.

First, graduate intake and development programmes across banks, professional services and other major sectors have reduced dramatically compared with 20 years ago. For a decade or more, building societies have benefited from the talent emerging from these large-scale programmes specifically in banks, but this pipeline will be far more limited in future.

The second change is more positive. With fewer structured programmes available, many graduates and school leavers have built their early careers in start ups and small businesses, gaining hands-on experience, resilience, agility and strong technological fluency. Many bring a clear sense of purpose and values. This represents a real opportunity: building societies could position themselves as attractive destinations across the country for this entrepreneurial cohort.

Alongside this, societies can and should **grow their own** talent. With a clear view of future needs, recruitment and development plans can be tailored to encourage a wider range of thinkers, skills and perspectives into the sector.

Finally, mutuality remains the sector's "secret sauce". Its focus on delivering for members is one of the clearest, most enduring purposes of any business model. While corporate fashions rise and fall in search of meaning and cohesion, mutuals endure. Their purpose may evolve, and what they do may change, but for those who want to contribute to something meaningful—and see the impact in members' lives—building societies and mutuals will remain compelling places to work and lead.

Conclusion

Why wait?

Thinking "We'll reconsider our board and leadership capability in 2027 and then maybe start to make some changes when the current Chair or CEO moves on," may well be the road to nowhere.

It is increasingly apparent the impact of AI on business models, consumer behaviour and society is coming faster than we thought only a few months ago. The expectations set out in this paper for 2050, may well be here very much sooner. Boards need to broaden capability, sharpen challenge, invest in insight and build the confidence to adapt. Mutuality gives building societies a powerful advantage, but only if they use it actively.

Microsoft

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14:
The building society workforce: people, skills and the mutual advantage

Executive Summary

- **AI changes tasks, not the purpose of the mutual.** In the next decade most routine financial services work is expected to be performed by AI agents. As Microsoft's Brad Smith puts it, a job is best understood not as a title but as a bundle of tasks, some AI can do, many you do better with AI, and some only people should do.[1] The roles colleagues do will change; the purpose of a mutual, serving members, does not.
- **The skills profile changes in two directions at once.** AI fluency becomes a near universal requirement, while the distinctively human skills, judgement under uncertainty, empathy, and ethical reasoning will rise in value. Most of the skills employers seek today are expected to remain relevant, applied alongside AI rather than displaced by it.
- **People centered service is the durable, though not automatic, differentiator.** As AI lowers the cost of standard products across the market, member trust, mutual ownership and genuine personal service will become harder for competitors to replicate. Realising that advantage depends on deliberate design, not on technology alone.
- **Trust and accountability are the foundations.** Governance, explainability and meaningful human oversight, set against a clear view of operational, model, data and conduct risk will allow boards to adopt AI with confidence and keep members protected.
- **Sector collaboration is the decisive enabler.** No single society can fund, govern and reskill around AI and agents alone. Acting together through the BSA on four fronts, shared AI foundations, common Responsible AI standards, pooled reskilling pathways, and a shared regulatory voice will be an important choice the sector can make through the next decade.

[1] Brad Smith, AI, jobs, and the next generation, Microsoft On the Issues, 10 June 2026

Introduction — people at the core of a digital future

Building societies face two connected shifts. AI and agentic systems are rapidly becoming part of the operating fabric of financial services. As AI lowers the cost of delivery for products in every provider, and members increasingly use AI to find, compare and take products, the durable provider differentiation will narrow towards what is hardest to copy, trust, mutual ownership and community presence.

AI is not a substitute for the mutual model, nor a guaranteed rescue for it. It is a capability that can amplify what building societies are for if the sector invests in the right skills, governs the technology well and acts together.

This chapter addresses three practical questions: how roles will change, what skills will matter, and what choices the sector should make now.

1. The central recommendation: Collaborate

The challenge is not whether AI is useful, but the scale and cost of doing it safely. Deploying AI, governing it to regulatory standards and reskilling a workforce will require a significant and sustained investment. A sector ranging from large national mutuals to single-branch societies cannot absorb that evenly, and a society by society response risks leaving smaller mutuals behind.

The case for collaboration rests on scale, not on an absence of competition. The cost of safe AI foundations and regulatory evidence is largely fixed and largely shared, pooling effort lets every society, however small, reach a standard none could justify alone.

We therefore recommend sector action on four fronts:

- Shared AI foundations: reusable, pre-governed building blocks such as reference architectures, vetted models and common controls.
- Common Responsible AI standards: a shared framework for fairness, explainability and oversight, evidenced to regulators at sector level.
- Pooled reskilling pathways: shared curricula, accreditation and talent programmes so societies can develop AI-fluent colleagues to a common standard.
- A shared regulatory and policy voice: a single, credible channel through which the sector engages the FCA, PRA and government on AI, proportionality and the mutual model.

For a sector rooted in community, collaboration is not a side issue. It is how the sector modernises without narrowing its diversity. This also answers a wider call: past transformations left too many people and places behind, and doing better means shared responsibility across employers, government, educators, communities and workers.

2. From execution to orchestration: how roles will change

As AI agents absorb structured, repeatable work, roles will shift from execution to direction, judgement and member engagement.[2] Routine processing moves into agentic systems whilst people remain responsible for exceptions, conduct, vulnerability and decisions with real consequences.

The table below maps that shift onto sector specific roles. These are not distant end states, but directions of travel are already visible today.

Today's role	Evolves towards	Now focuses on
Mortgage advisor	Member outcomes advisor	Understanding the member's circumstances, sense checking AI, override it where needed, and guiding members through trade-offs.
Branch colleague	Community and digital coach	Coaching, financial literacy support and digital inclusion, while explaining how AI supported decisions are reached.
Customer service rep	AI quality controller / escalation specialist	Monitoring agent outputs, intervening on complex cases, retraining edge cases and escalating where AI is wrong or unfair.
Compliance and risk officer	Responsible AI lead	Testing agents for bias before deployment, monitoring live outputs against mutual principles and publishing transparency statements.
Vulnerability specialist	AI augmented vulnerability lead	Reviewing AI detected distress signals, deciding the intervention and conducting the human conversation.
(new)	AI orchestrator / agent operations lead	Owning the portfolio of production agents, monitoring performance, retraining cadence and human handover design.
(new)	Prompt and policy engineer	Translating policy, regulation and mutual principles into prompts, guardrails and rubrics that govern AI behaviour.
(new)	Member outcomes auditor	Auditing AI decisions against outcomes data to identify unfairness.

Colleagues become conductors of AI-assisted work. Systems handle volume; people remain accountable for outcomes.

[2]Cambon, A. et al. (Microsoft WorkLab) (2025–2026). Human–AI collaboration and task decomposition research.

3. The new skill set: AI fluency, judgement, and the skills only people bring

The workforce implication is straightforward in that AI fluency becomes foundational across almost every role, while the capabilities only people bring rise in value. Microsoft research shows that as AI is applied to more and more processes, expertise and empathy matter even more[3,4]. Simply put, as automation expands via AI, the quality control and critical thinking people bring, increases the success[3,4]. A simple three-layer framework helps define the new skills profile:

- **Foundational (everyone)**: AI fluency in day-to-day work, digital and data literacy, regulatory and ethical awareness, and continuous learning.
- **Specialist (functional / AI-adjacent):** evaluating and overseeing AI outputs, agent design and orchestration, prompt and policy engineering, and domain expertise expressed through audit trails.
- **Distinctive (the skills only people bring):** empathy, deep listening, judgement under uncertainty, ethical reasoning, behavioural insight, vulnerability sensitivity and fluency in mutual values.

The requirement is easy to state and hard to deliver, widespread AI fluency, targeted specialist capability and stronger human judgement in member facing work.

4.Talent development, work redesign, and the scale question

Changing a workforce's skill profile and culture is a larger undertaking than a mere technology rollout, and cannot be outsourced. The path forward requires continuous talent development and deliberate work redesign.

- **Always-on reskilling:** the useful life of a skill is shortening. The World Economic Forum estimates that 39% of workers' core skills will change by 2030 and 59% of the workforce will need retraining over the same period[4]. Continuous learning has to be built into the operating model, not run as a one-off programme.
- **Time given back to members:** the payoff from AI fluency is redeployable time. Yorkshire Building Society is piloting AI agents to support internal risk and control testing. Early results suggest efficiency savings of around 40% – freeing up time for professional judgement rather than replacing it.[6]. For a mutual, time that can be reinvested in member relationships.
- **Flexible workforce models:** colleagues start to move between advising members, overseeing agent outputs and community engagement, rather than delivering fixed single task roles.
- **Work redesign led from the top:** Societies that decide deliberately what to automate, and where a person must remain in control, will capture more value and do so safely.

Culture matters as much as tools. Organisational factors weigh more than twice as heavily in whether AI delivers[3,4]. Given that less than 1 in 4 colleagues report clear leadership alignment, closing alignment gap is a board responsibility.

[3]Microsoft, 2026 Work Trend Index Annual Report — Agents, human agency, and the opportunity for every organization, 5 May 2026
[4] World Economic Forum (2023–2025). Future of Jobs / Jobs of Tomorrow reports (with Microsoft contribution).
[5]Microsoft (2026). Work Trend Index – Organizational performance and AI adoption insights.
[6]How Yorkshire Building Society is using AI to give colleagues more time for members, 3 July 2026

5. Trust, ethics and risk: people in the loop

Trust is the foundation of the mutual model, and AI raises the stakes on both sides. Used well, it can extend fair, consistent, member first decision making across all interactions. Used carelessly, it introduces new failure modes that boards must understand and govern.

Responsible AI should be treated as a workforce and governance discipline, not just a technical control set[7]. AI enabled services should be designed for explainability, human oversight and override.

- **Operational resilience:** greater reliance on AI and a small number of providers increases the impact of outages.
- **Model drift and risk:** without monitoring, challenge and retraining, a model that was fair and accurate at launch may become neither.
- **Third party and concentration risk:** shared foundations bring efficiency, but also common dependencies that require substitutability and exit planning.
- **Explainability and contestability:** members affected by an AI-influenced decision should be able to understand and challenge it.
- **Data privacy and security:** richer data and greater automation widen the attack surface and raise the stakes on consent, minimisation and protection.
- **Member exclusion and digital access:** automation must not leave behind members who are older, offline or less confident digitally.
- **Vulnerable customers:** AI may detect difficulty earlier, but the response should be a prompt handover to a qualified colleague, not an automated outcome.
- **Consumer Duty alignment:** AI mediated journeys must deliver good outcomes, avoid harm and support members' financial objectives with evidence a board can stand behind[8].
- **Governance, accountability and human oversight:** accountability cannot be delegated to a system, there must be clear ownership and a named person answerable for outcomes.

Several of these issues are cheaper and safer to address collectively. Common Responsible AI standards and shared controls let the sector evidence safety to regulators at a higher standard than smaller societies could reach alone.

What this means for boards and regulators

For boards: Treat AI as a workforce and governance programme, not an IT project[2]. Set the risk appetite, name the accountable owner, and insist on explainability and human override by design. Invest early in reskilling, the binding constraint on value is people and process, not tools. Where the economics are hard, pursue shared sector capability through the BSA rather than going it alone.

For regulators and policymakers: The mutual model's diversity and consumer focus is a good worth protecting. Proportionate expectations, and a willingness to engage with shared, sector level Responsible AI standards, can let smaller societies adopt AI safely without bearing large society compliance costs. Engaging the sector through a single BSA channel is the most efficient way to set expectations that are both safe and achievable. Consumer Duty provides a ready made outcomes lens for supervising AI in retail financial services[5].

[7]Microsoft, Responsible AI Transparency Report 2025, June 2025
[8]Financial Conduct Authority, Consumer Duty (PRIN 2A), in force from 31 July 2023

6. How an AI augmented workforce can make mutuality a differentiator

As strong digital platforms and capable AI become common across retail finance, the question is not whether building societies can use AI, but why their use of it should produce different outcomes. The answer is structural, it lies in ownership, not technology.

A shareholder owned firm is expected to return efficiency gains to investors. A mutual has no external claim on that dividend. That difference allows a Society to direct more of AI's gain back to members.

- **AI can buy back the time personal service depends on:** every minute an agent saves on administration is a minute a colleague can spend on a member relationship.
- **AI can extend fair, member-first decisioning consistently:** colleagues can set the rules, audit the outputs and override the system where member outcomes demand it.
- **AI can let the human moments count more:** removing friction from everyday transactions frees colleagues for major life decisions, financial difficulty and questions of trust.

If AI drives standard products towards sameness, trusted advice, genuine care and verifiable member-first outcomes become more valuable, not less.

Conclusion — a call to action

The technology questions are increasingly answerable. The decisive questions are about skills, governance and whether the sector acts together.

- **For building societies and their boards:** commit to AI fluency for every colleague and work redesigned around people plus AI. Set risk appetite and accountability, and reinvest the time AI saves into members.
- **For the BSA and its members:** convene the four shared capabilities in Section 1: shared AI foundations, common Responsible AI standards, pooled reskilling pathways and a shared regulatory voice.
- **For regulators and policymakers:** protect the diversity of the mutual model through proportionate, outcomes based expectations and engage with the sector's shared Responsible AI standards as a route to safe, affordable adoption for societies of every size.

History offers grounds for optimism: when earlier technologies increased what was possible, human ambition generated new demand rather than less work, and AI used to accelerate expertise rather than replace it keeps human judgement as the differentiator. In a market where AI pushes standard products towards sameness, the value of genuine care, trusted advice and verifiable member-first outcomes may well rise, the advantage an AI augmented mutual workforce is well placed to deliver, if the sector makes the choices, and the investment, to earn it.

AI does not dilute the mutual difference. It will make it more visible. Competitors can match technology, what sets a mutual apart is the choice to send more of the benefit back to members.

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Building Societies Association