

2023 AGM Questions and Answers

Responses to the questions raised by Members, both in advance of and at the AGM, are published below. Thank you to all our Members who submitted questions.

Savings

Question: Why after taking out a 1 year fixed rate bond could this not be transferred into a new 3 year monthly interest bond which was subsequently issued?

Response: Like for many other firms the rapid changes to market rates means that savings products are being revised more often. In setting the interest rate for any bond, including the 1 year bond, it is based upon the fact that the customer cannot access the funds during that period. The Saving Product Committee meet fortnightly to discuss products.

Question: Currently the interest rate on a regular savers account is lower than other market instant access accounts is this something the Society is planning to review?

Response: The Society's Savings Product Committee meet fortnightly to review products through a cycle. This product will be included within the next set of reviews.

Question: Why do some of your accounts and bonds have a high minimum opening balance, eg. £10,000 & £20,000. These accounts and bonds normally pay higher rates of interest, but restrict savers with less money to invest from benefitting from these higher rates.

Response: The Society tries to ensure it has a range of products available to meet diverse customer needs. The products that are available are reviewed regularly, taking into account customer feedback.

Product offerings are developed having regard to a number of factors including: Savings Members, retail funding requirements to meet mortgage demand, market wide savers rates; and the need to ensure the business is managed prudently on behalf of our members. A number of our accounts can be opened with £1 however that is not a practical or meaningful offer for bonds.

Question: The Loughborough already allows accounts to be opened using postal applications from anywhere in the UK, but seems quite a lot of work regarding the security on behalf of the member. ID has to be certified by solicitor etc.

Response: As part of its investment in systems the Society is looking to streamline the customer onboarding process. This includes development of Identity and Verification processes. The aim is to make the process easier for new members whilst ensuring robustness of security measures.

Mortgage Lending

Question: Do you have published Lending Strategy Standards in relation to lending when there is a risk appetite of Asbestos, Japanese Knotweed etc and how does the Loughborough Building Society treat these types of cases?

Response: The brokers who are registered with the Society gain access to a copy of the published lending standards and lending requirements. The policy is informed by the surveyors panel, and this is reviewed every 12 months and any new legislation is incorporated. Underwriting is done by a case-by-case basis. If a property or mortgage is on the border line or is outside policy, there is an escalation method.

Question: Other organisations have started to assess the impact of climate change. What has the Society done to understand its climate change risk exposure?

Response: The Society commissioned an external party to conduct an assessment of the Society's climate change risk exposure relating to its mortgage book. This assessment considered both the physical risks, such as flooding and subsidence, and the transitional risk associated with the UK housing stock moving towards a lower carbon economy under a range of potential climate change scenarios. This initial assessment indicated that the Society had only a small exposure to such risks. In addition, the Society is taking steps to reduce the carbon footprint of its own operations, with the planned move to new Head Office premises providing the opportunity to implement a range of energy efficient technology.

Question: Reform of the Land Acquisition Act, 1961 would allow councils to purchase farmland at existing use value rather than the housing value. This land might be reserved for social housing. Also, would it be possible to ease the situation with mortgage repossessions by the local council buying the premises?

Response: There have been many changes to planning laws since 1961 and many changes as to the powers of central and local government in relation to the acquisition of land. The ability and appetite of local councils to fund land purchases is a matter for them and not the Society.

The Financial Conduct Authority (FCA) Mortgages and Home Finance Conduct of Business Sourcebook (MCOB) sets out the regulatory requirements in the event of mortgage repossession. This requires regulated mortgage lenders to ensure that, whenever a property is repossessed:

- the property is marketed for sale as soon as possible; and
- that they obtain the best price that might reasonably be paid. This must take account of factors such as market conditions as well as the continuing increase in the amount owed by the customer

More generally the Society could not purchase the property from the current owner and then become a landlord. That would not be seen as a suitable route for the customer who is in difficulty.

The Society encourages members to contact us as soon as possible if they are facing financial difficulties, and has a range of forbearance options to support customers. Customers receive appropriate tailored forbearance that is in their interests and takes account of their individual needs and circumstances.

Question: Has the Society tightened its lending criteria for Buy To Let landlords since interest rates started rising and in what ways?

Response: The lending criteria for Buy to Let landlords have not been tightened since interest rates began to rise. However, the Society's Lending Policy remains subject to regular review to ensure our lending criteria remain appropriate for market conditions. The increases in interest rates will have changed the affordability of new loans for some investors and so may not meet the criteria for mortgages with the Society.

Question: Are you seeing evidence of borrowers struggling to keep up with payments in these tougher times?

Response: At present the number of arrears cases remains relatively low and stable.

Business Strategy

Question: What is the competition like in Anstey in terms of other banks?

Response: The Anstey branch is the only Building Society or Bank left in the village and has enjoyed more business as a result.

Question: What would be the pros and cons of taking the Loughborough online or introducing phone banking?

Response: The Society is investing in new technologies and systems in order to support provision of a range of relevant digital services to our members. The aim is to provide members with a choice of channels through which they can interact with us, and provide access when we would normally be closed. This investment in digital technology remains a business imperative.

There are significant security considerations in allowing members to access their accounts on-line but like many others we will in time offer this choice. Any enhancement to the telephone based services would require the Society to hold more data about each member in order to identify them and process a wider range of transactions. The new systems will still accommodate the current telephone service and we will explore whether it is feasible and safe to increase the services we offer by telephone.

Question: Has the Society any plans to grow in size? Can you see any advantages or disadvantages of growing the business, and does having more members equate to more profits or more risk?

Response: The strategic intent remains to continue to grow the Society beyond its current scale. During the year ended 31 October 2022 the Society achieved asset growth of 12%. This is the fifth consecutive year in which the Society has seen mortgage book growth.

The growth experienced in recent years helps profit flows going forwards allowing the Society to invest in services, greater expertise and new systems for the benefit of existing and future members. It also helps to protect the Society against the current economic headwinds. More borrowing members creates more income for the Society and enhances profit flow if the mortgage growth is suitably managed from a risk perspective.

Question: Is Loughborough Building Society still accessing discounted rate funding from the Bank of England?

Response: The Society had repaid its previous borrowings under the Term Funding Scheme which provided 4-year term funding at or around base rate. The Society continues to utilise Bank of England funding facilities as part of its normal operational activities. However, this is not as cheap a source of funding as it once was, being priced at base rate plus a small margin.

General matters

Question: When moving out of the current Head Office, will the Society be looking at donating anything to the local history museum?

Response: The majority of the historical parts of the building such as the ceiling and safes are unable to be moved. The decision of what will be done with the building after the Society moves out is still to be decided. Further communications will be provided in the summer newsletter to keep members informed on the future plans.