HOUSE OF COMMONS

# Treasury Committee

## Oral evidence: Banks and building societies, HC 900

Wednesday 21 May 2025

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Rachel Blake; Chris Coghlan; John Glen; Dame Siobhain McDonagh.

Questions 83-148

### Witnesses

I: Debbie Crosbie, Chief Executive, Nationwide Building Society; Susan Allen, OBE, Chief Executive, Yorkshire Building Society; and Stuart Haire, Group Chief Executive, Skipton Group.

II: Mark Mullen, Chief Executive, Atom Bank; Richard Davies, Chief Executive, Allica Bank; and Raman Bhatia, Group Chief Executive, Starling Bank

### Examination of Witnesses

Witnesses: Debbie Crosbie, Susan Allen and Stuart Haire.

**Chair:** Welcome to the Treasury Committee on Wednesday 21 May 2025. We are delighted to welcome building society representatives, having heard from four of the major banks yesterday. Later this afternoon we will hear from the representatives of challenger banks.

Building societies obviously play an important role in the mortgage-lending market in particular, and they are a staple of financial life in the UK. I am delighted to welcome Susan Allen, the chief executive of Yorkshire Building Society; Debbie Crosbie, the chief executive of Nationwide, the largest building society in the UK; and Stuart Haire, the group chief executive of the Skipton Group. Thank you very much indeed for coming. John Glen will kick off.

Q83 **John Glen:** I would like to ask about the trade-offs in your attitude to growth and regulation. Since the new Government came in just over 10 months ago, the whole narrative has been about what regulators can do to facilitate growth in the economy. Let us look at what the PRA and the FCA have told us. Sam Woods said that, since the global financial crisis, there has not been much of a dispute about the fundamental structure of the regulatory framework. The FCA said in evidence to the House of Lords that we may have to become comfortable with the idea of “tolerable harm”.

I suppose we are all left wondering what you would like to see that, from your point of view, does not lead to harm for your customers but allows you to expand your economic footprint in the country. One set of answers yesterday focused on ringfencing—apart from Barclays, obviously—but it would be good to understand what each of you think.

Let us start with Ms Crosbie—it is nice to see you again.

***Debbie Crosbie:*** Hello, Mr Glen. We really welcome the Government's focus on growth, and the building society sector can offer a huge amount. We play a very important role in mortgage lending, so I will start there. We really welcome that the FCA has made a number of changes already and is consulting on lots more. We are very engaged in that, so we are quite optimistic about it.

Specifically, the LTI limit means that lenders can lend only up to 15% of their entire portfolio on high loan-to-income and loan-to-value lending. Particularly because building societies tend to have lower risk appetite, we believe that if that limit were relaxed—in the case of Nationwide, we do a lot of this type of lending, we are very good at it and our arrears levels are very low—your risk trade-off point is a very easy one to make. A small increase in that limit for us, even keeping the overarching macro limit at the same level, would create a significant opportunity to help first-time buyers to get on the housing ladder. That is one thing.

There is a range of other things in the MCOB regulations around mortgage lending. For example, we think that reintroducing, for selected cases, some interest-only mortgages would be another way to help affordability. Although the FCA has made some initial strides, we think we can do a lot more in mortgage lending to increase the number of people who can get on the housing ladder. So mortgage lending is one thing.

Secondly, more generally, as a lower-risk sector, we think that quite a lot can be done on the capital rules. We are holding a significant amount of capital. The building society sector is also constrained by the leverage buffer regime, and Nationwide is uniquely capped in that way. Without getting into lots of detail, we think it is time to step back and review the overall capital requirements for the building society sector. I am sure my colleagues might have a few more things to say on that.

More broadly, we would like simple and more straightforward clarity on what is expected. Outcome regulation is really helpful, but if you do not fill the void and set expectations, particularly when it comes to the ombudsman, that is quite problematic for firms, including building societies, to interpret.

Q84 **John Glen:** That is incredibly helpful. I want to come back on one aspect of what you said. The stretch target, if you like, or the margin that was placed on top of the base rate for testing people's mortgage affordability, has allowed us some comfort through difficult times—when interest rates went up a lot, we did not see many repossessions. Have you done any modelling of the possible effect of any change in terms of repossessions? Can you give some reassurance on that?

***Debbie Crosbie:*** At the industry level, arrears have remained very low by historical standards post GFC—they are less than 1%. For the building societies they are half of that, and at Nationwide we are even lower. We are at 0.4%, so we think there is quite a significant buffer in respect of which we could take a little more risk for the right customers in the right way, and that would not get ourselves into a situation where arrears would result in intolerable harm. There is quite a bit of opportunity before we should be overly concerned. In fact, I think the risk of not allowing our young people to get on the housing ladder presents much bigger challenges for society in the future.

Q85 **John Glen:** On the leverage regime you are subject to—perhaps someone else wants to comment as well—the big banks have MREL, the challenger banks have Strong and Simple, and you are subject to a third regime. The impression we get sometimes, from talking to industry, is that the PRA can be very conservative in its approach to this. Can you tell us how you deal with the regulator? What awareness does it have of what you want to do in this area? How has it responded to what you have asked for?

***Debbie Crosbie:*** We have very constructive engagement with the PRA, as you would expect. We have actively provided a lot of analysis and data on the change to the LTI limit, and that has been a very constructive engagement.

To give you some context that might be helpful, while Nationwide is a very large lender, I would consider us quite low risk and very conservative. In the five years post GFC, the total amount of money lost through mortgage lending was under half a billion pounds. I would currently be holding—there are various different regimes, without getting too technical—about £10 billion of capital against my current mortgage portfolio. That might illustrate where I think there still may be some opportunity for us to reconsider some of the rules.

***Susan Allen:*** I will add a couple of points, but I completely agree on the priority areas that Debbie raised. I will give you a bit of colour on the impact from the perspective of a smaller building society. To take that capital point, for example, the numbers I can give you are that the Yorkshire Building Society made £385 million in profit last year, but we had CET1—core equity tier 1—of £4 billion and MREL of £1.5 billion, and our losses last year were £1 million. That gives you a sense of the capital that is tied up in the organisation.

As we look at Basel 3.1, we obviously have the discussions under way on Strong and Simple, and the challenges will be too big for Strong and Simple. I think we would argue that we should look at not just scale, but also complexity. Yes, we are a larger lender, but we are actually a very conservative lender with very narrow business lines. We are talking about secured lending and savings; we are not talking about unsecured or any other type of finance. We would welcome having—and we do have—good, constructive conversations with the regulator, but we would welcome continuing that theme of whether it is about scale or complexity.

Q86 **John Glen:** I get that you have constructive conversations. I would have said the same when I was sat there, but is it getting to the outcome that you need on the scale that the Government want? What I hear when I talk to different banks is that some of the conversations about bespoke arrangements can go on for years before there is a resolution on a switch in the capital requirements. I want you to be candid with us, because we want to help you by drawing the right conclusions.

***Susan Allen:*** I do think we have had good discussions about Strong and Simple, but I think there is further to go on complexity. It is also for us to make the point and to provide the evidential data to help.

On other areas, I would also pick out LTI as a really important consideration for us. The building society sector, in particular, leans into first-time buyers and the LTI constraint today—the 4.5 times, no more than 15% of loans—is stopping us lending. It is absolutely stopping us lending—

Q87 **John Glen:** In certain parts of the country, it is a massive constraint.

***Susan Allen:*** Yes, in certain parts of the country, it is a big constraint. Today, the ratio between average salary and average house price is 7.2 times, but we have 4.5. We are a thoughtful and careful lender—of course, we have to be a responsible lender—and we are going to make sure that we lend to people in a way that they will be able to repay. It is not in our interests, or theirs, to do anything that is irresponsible, but we think there is scope to move that 4.5.

Again, to give you some numbers, our modelling would suggest that if we moved to 20%, rather than 15%, that would unlock £500 million that we alone could lend, which on average mortgage size is another 2,000 people helped. We think there are opportunities—very specific, focused opportunities—that would make a difference.

Q88 **John Glen:** Mr Haire, from Skipton's perspective, is there anything you would like to add? You do not have to repeat anything.

***Stuart Haire:*** I agree that LTI and capital levels are the two key areas that can help unlock and enable much more home ownership, which is something that we are passionate about. I would just add one further thing—you will all recognise it, but it is worth saying. As mutuals, if capital levels were improved or lightened, that would be transmitted directly into the economy. It is not paid out in a dividend or a special dividend. As a transmission mechanism of policy intent, you can get an awful lot of bang for your buck by helping the mutuals with the simpler and lower-risk business models—to the tune of multiple hundreds of millions of pounds. The same is very true for Skipton.

The more we can do to offer differentiation on the LTI limits, the more that we can remove the always-upward movement in capital. At Skipton we are holding £3 billion of capital, and our losses last year were less than £2 million, and we have some of the lowest arrears rates. Therefore, there is a lot of pent-up demand before you even reach a point where you will be running the risk of underwriting people who might not be able to afford it.

Q89 **John Glen:** So your conservative lending practices can point to historically very safe positions, and you therefore need more freedom to hold less capital so that you can do more with it.

***Stuart Haire:*** Yes, and directly transmit it, rather than necessarily paying a dividend.

Q90 **Chair:** You have answered some of the things that I was considering. I should declare that I am a Labour/Co-op MP, so I am very heavily leaning into the mutuals sector. As you have highlighted, we know that you have some different regulations, and you have given some answers to Mr Glen about what you would like to see happen differently.

In their manifesto, the Government pledged that they want to grow the mutuals sector, stating that they "aim to double the size of the UK's co-operative and mutuals sector." Given that we have seen carpet-bagging, and you have all had to consolidate over the years, do you think that is possible with building societies? What do the Government need to do to help the mutuals sector grow? You answered some of that in answer to Mr Glen, but is there anything else you want to add?

***Stuart Haire:*** I think it is possible, but it depends on the base metric of what you are doubling, and I do not think there has been 100% clarity on that.

**Chair:** Government manifestos are not always written in a way that is—

***Stuart Haire:*** To give a compliment to my frenemy and competitor, Debbie, the transaction to buy Virgin Money increases the size of the mutuals sector, and we welcome that—similarly with Coventry and Co-op. The organic opportunity really comes through if we can make better use of our capital levels, and if we are given a little more freedom on LTI, so it goes back to the previous question.

Also, it is about having proportionate regulation. The regulatory handbooks are effectively applied universally. However, the business model of Ms Allen and myself—we are very much savings and loans providers—is captured by every other piece of regulation. We need to do gap analyses and regulatory returns against it. Proportionate regulation would also help us to free up things as we go forward. I think there are steps that can be taken, again with the recognition that any sort of capital relief is not for the benefit of colleagues or shareholders. It really has to be used as a transmission mechanism to grow the sector and help more people.

***Debbie Crosbie:*** I agree. I think it would be really helpful to the building society sector, in doubling the mutuals sector, if the Building Societies Act were regularly reviewed. We were delighted with the work done last year by Julie Elliott MP to change some of the nature limits. We are working closely with the Treasury, and we are hopeful that the SI will be laid soon so that we can move forward on that front—that is a key change for us.

The other important thing to remember is that building societies have an appetite to grow. At Nationwide, we are very excited about the opportunity in SME lending. At the moment, 75% of our asset base has to be retail mortgages. That is not a constraint for us at the moment, but it could be in the future, and there are other building societies where that would be a really interesting area to address. There are other small things in the Building Societies Act. For example, there are a couple of products we are prohibited from providing but which would be really helpful to support SMEs in their cash-flow lending. I think that reviewing the Building Societies Act regularly, and making sure that it keeps pace with any changes to the Companies Act, would be really helpful.

***Susan Allen:*** I will not repeat anything. The only other thing we would say is that we ought to have consideration of mutuals as part of policymaking, and consideration of how mutuals might be impacted differently from shareholder-owned businesses—there are some examples of that. We need to make sure that mutuals are considered in mission boards or councils. It is disappointing that there is no mutual representative on, for instance, the Financial Inclusion Committee, because we could add value there. We need consideration of mutuals as a different business model that might be impacted differently by legislation.

Q91 **Chair:** Do you think there is a prospect that more building societies might emerge? We have talked about your amalgamating—Ms Crosbie, obviously you have grown a lot with Virgin Money. Thank you for the £50. I should declare that anyone with a Nationwide bank account got that. Do you think there are likely to be more amalgamations, and that is how you will grow, or do you think there is any likelihood that more building societies will emerge?

***Susan Allen:*** To take Yorkshire Building Society as an example, I was looking at the numbers from 2019 to 2024, and our savings balances grew by 73% over that period. With good products and looking after our customers, and making sure that we have a simple, straightforward proposition that is really clear and meets customer needs, I think there is opportunity for us to grow, even organically. There is potential for inorganic growth, but I think there is more potential for the mutual sector in the organic space.

***Stuart Haire:*** Similarly, I joined the mutual sector about three years ago, and far from seeing it as an archaic part of the financial services sector of the past, I view it as increasingly relevant. Our membership has grown materially. We grew deposits by 15% and then 10%, so the relevance of the type of service that we provide—branch-based, face-to-face service, high-quality products—is increasingly welcomed. It is not just with those saving towards retirement age; it is increasingly helping people to get the deposit for their first home and so on.

The relevance of the model is there. If we remove some of the constraints around capital that we talked about, that will help the lending side. If we can do more to adjust some of the rules around the provision of advice, we can do even more to help people to make the most of their money. I am not talking about massive boundary changes or bringing back regulated rights across every part of the population, but I think that building societies can play a role there.

Q92 **Dame Siobhain McDonagh:** I have sat on this Committee in this Parliament and in the previous Parliament, and I have never praised the work of any of the bodies whose representatives came to give evidence, but I just want to thank Mr Haire and his Skipton Building Society, because every time I read about an innovative way of giving young people mortgages, it is always Skipton. You take into account their history of paying rent as a good indicator that they will be able to pay their mortgage, and you have competitive rates for young people. I am always ringing people in my office when I see those articles in the paper to say, "Now look, you could think about buying. Look at this article." Thank you for doing that.

***Stuart Haire:*** If I may return the praise—

**Chair:** You can tell that one for the rest of your life.

***Stuart Haire:*** I am going to dine out on it. I had better not ruin it, but I will say one thing. I think building societies play a unique role. It is not just Skipton, to be fair. Susan copied one of our products beautifully.

**Dame Siobhain McDonagh:** Good. There is no greater praise!

***Stuart Haire:*** Exactly. The reality for us is that has to be our focus, because we are not likely to be doing big remortgage business. We cannot compete on price, so we have to compete on innovation and availability. We are going to try to continue to do that. It is one of the areas where consumer duty has also helped, because you look at the issues people are facing, where they are not achieving good outcomes—home ownership in the main is a good outcome—so then you start to challenge yourself with, "What more can we do?"

***Susan Allen:*** Like Stuart, I came into the sector only three years ago, and I think that in a smaller, simpler business, you really focus on the difference you can make in both mortgages and savings. With mortgages, our customers—people trying to get on the housing ladder—say that raising a deposit is the hardest bit. There are people who thought they would never get on the housing ladder. We launched a product last year that we called a "£5k deposit mortgage". It does what it says on the tin: it is a £5,000 deposit, and we will lend you up to £500,000. It started on houses and is now extended to flats as well. I listened in to some of the calls from people who thought they would never have a chance to move out of their rented flat. Maybe they had started a family and thought it was impossible. I think it is really important that because we have simple business models, we focus really hard on what difference we can make on mortgages, and also what difference we can make on savings, to help people to build financial resilience. It is a really important role, and it is sector-wide—from the smallest building societies to the largest. That is what we are focused on.

**Chair:** There is a warm, fuzzy feel in the room. I now bring in John Glen; I don't know whether he will add to this or not. This is such a rare moment for the Treasury Committee, so bask in the moment!

Q93 **John Glen:** As I understand it, the FCA has come back in the first half of this year on the wealth advice and guidance review, and you have spoken about the risks around the principles-based steer from the FCA and the rules-based ombudsman outcomes; there is an ambiguity between them. Can we get as specific as we can on what you need the outcome of the review to look like to be confident in doing more work where people's investable amount is below what you can charge for, to make it smoother and to forward them to better outcomes. We are anxious that that review is effected, and that we don't have another retrospective scandal in motor finance or something else in five years' time. Is there anything you want to say on that?

***Stuart Haire:*** I should probably pick that up. We have retained regulated advice in Skipton, and we are increasingly trying to provide other forms of advice. If we go back in time to when RDR was brought in, it is fair to say that the reaction of the banks and building societies was one of fear. You had situations where people would come into one of our branches and ask a genuine question, such as, "Should I take out a one-year or two-year product?", and our people were scared even to give an answer. I think we have to move away from that, so that they can give examples of "people in your circumstance may do…" The more we can use situations, and the more guidance we are given by the FCA to permit "people in your circumstance would typically"-type conversations—that would be helpful.

Also, it would be helpful to make the advice boundary not quite as razor sharp as it is just now. For example, if a person comes in and they have a fair amount of cash deposit and a fair amount of financial resilience, and they have a lot in savings, it would be perfectly reasonable for one of our people to suggest that they consider an equity ISA, for example, alongside perhaps some of the other cash products. We want them to be able to execute that there and then, rather than having to wait for a regulated advice conversation, or their going away with that good intent and not executing on it, or even worse, going away and getting further advice from social media. I am hopeful that the FCA will come out and say, "We will give some clarity," that gives us enough of a guide to be able to create some rule sets to help train and guide both our people and the tools that our people use.

There is the risk that you point to, which is that retrospective cases go to the FOS, and through its rulings the FOS effectively creates a rule base that we have to work to. I don't think we should go into it with that fear in mind, though. We need to step forward positively.

Q94 **Rachel Blake:** I am a Nationwide customer and a Labour/Co-op Member of Parliament. Ms Crosbie, you referenced a SI that you need to be laid in order to move forward. What exactly do you think needs to change, and why do you think there might be a delay? I am particularly interested in what you have to say about that.

***Debbie Crosbie:*** We had fantastic engagement with the Treasury, and Julie Elliott put the changes to the Building Societies Act, which we supported. An SI is needed to bring into force the agreements that were made in Parliament, and it is about the way that funding is counted towards that 50% limit. That would level the playing field for building societies and make the funding model for building societies more affordable and more in line with banks.

Q95 **Rachel Blake:** Ms Allen, you talked about not being part of the financial inclusion taskforce.

**Chair:** She actually said there are no mutuals.

**Rachel Blake:** Very briefly, what are the headlines?

***Susan Allen:*** We think financial inclusion is really important, and so is financial education. We would propose making financial education part of the curriculum. We know from research we have done with young people that that small number of young people who can recall having had financial education in school feel more confident about dealing with money, and more confident that they could deal with an unforeseen situation. We think there is more to be done to ensure that people are receiving that education much, much earlier, and in a consistent way that flows through from primary to secondary education.

We work a lot with Citizens Advice. We are working with them on how we can help people who have come off, or are coming towards the end of, debt relief orders to start to save. We did some research on saving, and it is clear that if people can start to save even a tiny amount, it makes an enormous difference to how they feel. People who save regularly feel more positive and optimistic, and they are able to sleep better. There is a really strong correlation between saving and mental resilience.

It was really interesting to see in Bristol University's research that it is not actually the amount you save, but the fact that you start saving regularly. People saving a small amount regularly feel so much better because they feel better prepared for difficult circumstances. As an example, for that reason, last year in UK Savings Week we launched a product that was a £50 a month regular saver, aimed at helping people to start a savings habit. We gave an 8% interest rate on that, and 17,600 people started to save.

These are some of the ideas that we bring into financial inclusion, because it is about increasing access and helping people who are struggling. When I talk to Citizens Advice, many people who they are supporting do not know they can open a creditor account—an account in credit—without having lots of checks, and they were nervous and thought they would not be welcomed by banks and building societies. There is a lot we could do to dispel some of those myths and help people to start to feel more financially resilient.

Q96 **Chair:** If the financial inclusion Minister has not heard it right now, I am sure she will pick up what you said. The Government have pledged to grow building societies, but it is not always the case that bits of Government understand the mutual sector very well. Obviously, you deal a lot with the Treasury, the Bank of England and others, but are there any other areas of Government where you think there needs to be more understanding of what mutuals can offer?

***Debbie Crosbie:*** There is a very effective APPG, and we get really good engagement. The Treasury officials are excellent, certainly at engaging with me personally and with my two colleagues as well. It is about always having the building society sector in mind when everything else is done in financial services regulation. I find the engagement with the Treasury very constructive.

**Chair:** You do not all have to be nice to them, if there is something you want to say.

***Debbie Crosbie:*** Genuinely the Treasury officials are hugely engaged and really good at reaching out to me personally or to my colleagues for data.

***Stuart Haire:*** I would probably add one other Department where I think we can further the engagement, which is Housing. We ran a parliamentary event pointing to some of the challenges in the affordability of housing. A lot of focus is on supply there—quite rightly that is where it sits. The challenge is that supply will happen only after all the planning reforms and so on go through, but also that there has to be consistency of demand. Being able to create a housing system where there is more flow into first time and then through the different stages of home ownership becomes really important. It is about helping them to understand that so, as they look at the housing mission, it is not just a supply dynamic, but a demand dynamic as well. We are keen to continue that dialogue.

**Chair:** For the record, Ms Allen is nodding, so we will take that as agreement.

***Susan Allen:*** I am nodding; I am in agreement.

Q97 **Chris Coghlan:** We are seeing in the latest monetary policy report that the household saving rate is increasing, potentially due to precautionary saving. The Bank of England's credit conditions survey said that unsecured household borrowing is rising. What is driving those increases? Are you seeing any noticeable trends in defaults or arrears?

***Stuart Haire:*** We are not seeing any notable trends in defaults or arrears yet. One of the interesting phenomena was when interest rates went up and you had people remortgaging on their house, ultimately the cost of that remortgage also went up. We put in place an awful lot of forbearance options for customers, so they could hopefully cope with that peak before it came back down. Then, when the forbearance option finished out, it did not result in a whole load of arrears. There is resilience in the people who have been lent to within the market.

The first place that you would typically start to see issues of credit would be in the unsecured space. It is notable that greater use of unsecured often leads to a situation where financial resilience is being challenged more. On the savings side, people are being more cautious. In our own saving stats, the M4 stats and across the building societies, we are seeing people put more money away, but they are also having to put more money away when they are younger to be able to afford a deposit.

Saving habits have changed a little bit. When interest rates were next to zero, the saving incentive was less. We are starting to see people put more away. I know that this is not necessarily the topic that we are on just now, but interestingly, as speculation grew about cash ISAs, we saw record cash ISA seasons. They are a very popular product and one that customers want to use.

Q98 **Chris Coghlan:** Ms Allen, I see you are nodding. We are tight on time, but are you seeing similar trends?

***Susan Allen:*** Absolutely. We all see the industry stats. In cash ISAs, this year has been very strong. Mr Haire is right that as interest rates have gone up, people have become more active in managing their money. We certainly see that. We and the building society sector have been beneficiaries of funds coming from current accounts into savings accounts because people are recognising the opportunity. There is still something like £360 billion sitting in accounts earning less than 1% interest, so there is still an opportunity for people to manage that money more closely. People are continuing to save. What I saw described as the "covid bounce" shocked a lot of people into that savings habit, and we are seeing that continue.

Q99 **Chris Coghlan:** Ms Crosbie, how are you seeing wider economic developments, such as global trade uncertainty and US tariffs, affecting your business customers?

***Debbie Crosbie:*** As a domestic lender, the impact is very limited. We have an SME book under Virgin Money and, to date, the impact on that has been very muted. We are seeing similar trends to those that you have heard about. Despite the obvious challenges, there is lots of resilience in both—we are both a secured and an unsecured lender—and we are not seeing a change in arrears levels. Interestingly, we have also had the busiest cash ISA season that Nationwide has ever had. It might be interesting for the Committee to know that 40% of our cash ISAs this season have been opened in person and in branch. I want to underline that we still see the great importance of being able to offer face-to-face branch services. It is incredibly busy and 30% of our new current account openings are also in person and in branch.

Q100 **Dame Siobhain McDonagh:** How is the consumer duty impacting you? You made a reference earlier to it making you look at what sort of mortgages you are offering and to whom. Generally, how has the consumer duty changed how you do things?

***Stuart Haire:*** One thing it has done is give impetus. To take a step back, the mutual sector is owned by its members. You would like to think that if there were ever to be a sector that is customer focused, it would be the mutual sector. What the consumer duty has done is push us out of being complacent about that statement and brought some precision into things. What does it mean? We have had to dramatically simplify our terms and conditions so that people fully understand them and have them tested by experts. We have materially increased the level of training on different vulnerabilities—for example, neurodiversity—and people's ability to understand the products that we are giving them. It has also meant that we have had deeper scrutiny of some of our historical practices. For example, a legacy product where we had offered a discount if someone set up a direct debit on a mortgage payment. That is now common, yet there was still that discount which we now offered to everyone. There were things that you keep running with almost by osmosis. What the consumer duty brought in was a fresh lens to look at that.

On the example I gave earlier, it has allowed us to think in terms of the outcome and what is stopping potential customers becoming customers, and is there anything that we can do there? We talked about how we had a track record mortgage, a delayed start mortgage and some forbearance options that we might not have considered in the past as interest rates went up on mortgages. I would not attribute all of that singularly to the consumer duty, but the consumer duty and principles-based regulation made us all—from the board down—actively reconsider our range and the way we present products to customers and ultimately the service that we provide.

***Debbie Crosbie:*** I agree. Our starting point at Nationwide is that we are a mutually owned organisation. We pride ourselves on consumer duty concepts. There are two things. First, it is really helpful to challenge how you communicate with customers. The simplification of that communication and the amount of management information that we provide to our board has certainly increased, and that has allowed our board to challenge us harder and provide a higher level of scrutiny on the decisions that we make. Secondly, we have also found some areas, like Stuart, that required a revisit of some of our products. For example, we now provide a £50 overdraft buffer, which is free to any customer who is in financial difficulty. That is quite a significant support to a lot of customers who really need it. That is an example of us again challenging ourselves through the consumer duty lens and asking whether there is more we could do.

***Susan Allen:*** It is similar for us, as a mutual. How we look after our customers is absolutely the core of what a mutual is and does, because actually our members own us, but the consumer duty has helped us to really drill into some areas. For example, we now test our communications to customers against a reading age of 13, because when we tested a quite important document recently, the understanding score was only 18%. We made some changes—we simplified the language and made sure it was really clear—and when we retested, the score was 83%.

Thinking about the understanding of the products we offer is really important. We might have thought it was clear, but now there is much more discipline about really testing the language used in communications. That has benefits for our customers, but also has benefits for us in terms of people not needing to call in to get clarification. It has given us a really good structure, and like my colleagues, I've found that the level of MI we now have around delivery for customers is much more extensive.

When I came in, I looked at performance in our contact centres. We were delivering inconsistent service, so we invested in 150 new roles to make sure we delivered really fantastic service. I am delighted to see how our net promoter scores have improved, as customers value easy-to-access and swift service.

Q101 **Dame Siobhain McDonagh:** Any unintended consequences?

***Stuart Haire:*** I might struggle to be specific, but allow me to set out a little theory. When you have a principles-based approach and you are judging what a good customer outcome is, it can sometimes operate in conflict with some of the rules, typically on lending. There may be some construction of the MCOB that suggests there are rules you should and should not follow, but a bit of discretion becomes important in relation to customers' circumstances. Helping colleagues—this happens at scale; it is not done in the boardroom—to understand that they have discretion, and helping people who check or quality-assure their work to understand that there is some discretion, is becoming more and more of a challenge. Things like carrying out an affordability check on various different sources of income when someone already has debt with you—when doing those types of things, using discretion becomes important, but you cannot fall foul of a rulebook, you cannot knowingly breach rules. On those types of things, we need to work with the regulators, particularly the FCA, to make sure that where we find conflict between the rules and the principles, we are naming that and working with them to reduce it.

***Debbie Crosbie:*** Now the consumer duty is embedded, we have a chance to step back and review the MCOB and CCA—the Consumer Credit Act. There is now a layering of regulation, and to support the simple, straightforward clarity that firms need, it is time to review those other rules. I think the FCA is very committed to that; it has engaged with us already to decide what can be retired, now that the consumer duty is more embedded.

***Susan Allen:*** I have nothing to add on that.

Q102 **Dame Siobhain McDonagh:** You have referred to the consumer duty and outcomes-based policy. To what extent would you prefer a rules-based or an outcomes-based system of regulation? To the point you made, Debbie, do you think it is the other rules that are old-fashioned and need to be changed?

***Debbie Crosbie:*** This is one of the most challenging areas. We have done quite a lot of thinking about this. My strong view is that outcomes-based regulation has to be overlaid or underpinned by what I describe as minimum standards. Competition should allow you to go well above and beyond those minimum standards, and I think you'll find lots of examples of people choosing to do that through their various business models, but you have to give firms some degree of certainty that if they achieve the minimum standards, it means they comply with the rulebooks. If you don't, people just derisk, derisk, derisk, and that is exactly what happened through RDR: people constantly derisk, you withdraw services, and the impact on the consumer of your not providing services is the unintended consequence.

I suppose my answer is a bit complex: outcomes-based regulation, underpinned by clear minimum standards and collaboration between FOS and the FCA is essential to make that work. If there is space between them, that is when it becomes incredibly complex for firms to navigate a way through, and when you get the derisking.

Q103 **Dame Siobhain McDonagh:** We have made some reference to this, but how has the consumer duty changed how you treat vulnerable customers?

***Debbie Crosbie:*** I just repeat that it has challenged us to consider processes and procedures again. I think we would pride ourselves on having a strong track record, but there is always more we can do. Our view is that the consumer duty is a journey—it is a continuous improvement mindset, rather than a rulebook—and we learn all the time. When it comes to vulnerable customers, increasingly people's lives are very complex, and you often find that it is not one issue; there are multiple issues, which can often be very challenging to deal with. We continue to work with third parties and the third sector, and to really think creatively about how we provide that support.

The key thing we find is having very well-trained staff. Some of these situations can be difficult for our colleagues to deal with, so it is about providing them with support. Recently, we have made sure that where people are on very difficult calls—if there are very high-risk situations—we can patch in supervisors in real time, and on some extreme occasions we can patch other people into the call live who can support that very specific circumstance. We have worked really hard at recording vulnerabilities in line with regulation to make sure that the customer does not constantly have to repeat themselves, so that there is a very good record of the situation and the customer feels confident that they are understood. That would be a couple of examples.

***Susan Allen:*** I completely agree. We are continually learning under the consumer duty, but when it comes to vulnerability, we are learning more and more. Even through things like the communications reviews, we are learning that messages will land well for certain cohorts of the population, but perhaps neurodiverse customers would have a different take on some of the communications. We are learning and continuing to evolve.

The training for our colleagues is critical. We have also set up—as I am sure others have—extra care teams who have more specialist skills in more complex situations to make sure they are really equipped, and also feel supported, to have some of those difficult conversations in difficult situations. Our understanding of the consumer duty is really making us think more and more about the different challenges that our customers face, and how we can support them.

Q104 **Rachel Blake:** Ms Crosbie, you have given some really interesting evidence about ISAs. Earlier this week, the Chancellor confirmed that she would not be reducing the amount that people can invest into cash ISAs.

**Chair:** Into ISAs as a whole, not cash ISAs.

**Rachel Blake:** Yes, into ISAs. Why do you think that statement was made?

***Debbie Crosbie:*** Cash savings are a really important part of many people's financial resilience. We find that around 80% of our balances are held by people who are either at retirement age or nearly at retirement age, and for a lot of people, investing in equities—which is a much longer-term, more complex decision—would not necessarily be right.

We think that anything that can be done to encourage the right people with the right advice to invest in UK equities is fantastic if it is right for them, but it is very helpful to allow people the choice that is right for them. On a lot of occasions, we find that it is very beneficial for people to have that tax-free option and build that financial resilience. It works very well for their circumstances.

Q105 **Rachel Blake:** We are getting into the advice and guidance boundary, which we have heard a bit about already. You want to see progress on moving forward with that review. Are there particular elements of it that you think really need to change?

***Debbie Crosbie:*** I think it is very difficult for people who are not incredibly wealthy to access suitable advice, and when it comes to things like equity investments, that is very important. The level of fraud that we see in investments is a huge issue, and having people well advised and able to access advice—on some occasions, it may have to be face-to-face advice; on some occasions, it may be digital—is super-important. Without that support, it could be quite difficult to encourage a very wide change in people's aptitudes to invest in equities.

Q106 **Rachel Blake:** Mr Haire, you were talking about some of the advice that you would like to be able to offer but feel that you cannot offer at the moment. What are you doing to try to get this advice to people?

***Stuart Haire:*** We have retained regulated financial advisers. What we are really looking for is a bridge between those people who, at the front of our business—in our branches—are engaging with customers, and being able to help more customers with a broader range of needs before needing to refer to the specialist regulators. It would be cases where perhaps we identify that someone has enough cash savings and is at a stage in their life where a longer-term plan might be sensible. We could offer that, suggest that it would be a valuable route, and allow them to execute that on premises with us. In my view, that would be a sensible adaptation of the rules. It would be examples like that.

For more complex things, such as estate planning and tax planning, you would still have to go to the regulated adviser. Their training and the complexity of individual circumstances almost mandate that. What I would not want to happen through the cash ISA review or whatever else is to start to remove choice before customers have really had the chance to engage in that choice. That is why the advice and education piece is really the most important, rather than arbitrarily changing the limits of one type or another.

Q107 **Rachel Blake:** On that, you don't think that changing any limits would significantly change behaviour.

***Stuart Haire:*** I don't, no. We actually have evidence to suggest that it does not do that. On the number of people who are aware of equity ISAs, over 60% of cash ISA customers are aware of equity ISAs, so—

**Chair:** Sorry, can you repeat that statistic more slowly?

***Stuart Haire:*** From research that we did, over 60% of customers who have cash ISAs are aware of the construct of an equity ISA, yet they still choose to stay in a cash ISA. The reason for that is often to do with their individual circumstances. They may be saving for a specific item and need access to the cash, or they may be towards the tail end of their retirement and therefore, again, do not want to tie up capital in equity longer-term investments.

Q108 **John Glen:** Can I come back on the issue of cash versus equity? I totally get that, with the age profile, when people are near retirement, it would generally be unwise to invest in equities. But this interacts with the challenge of financial education as well. For people below a certain age, it would be very unwise not to invest in equities. Would you recognise that as a reasonable proposition? Although it may not align completely with your customer base, we as a society have to grip that problem.

***Debbie Crosbie:*** That is incredibly sensible, but it has to come with the right support. The second issue that I would highlight is that collectively we have to be much more confident in what we are doing about fraud, because investment fraud is such a huge issue. There are a number of things that have to be worked on to make sure that, when we reintroduce that for a much larger population, people are adequately supported in the choices that they make.

Q109 **John Glen:** If you are tracking the FTSE over 10 years on a tracker product, that does not really carry a big fraud risk, does it? What I am trying to get at is that there is a reasonable assertion around the mass use of trackers and low-risk equities, which is far better than the normal rate of return from interest over 10 years.

***Debbie Crosbie:*** I think that is right, Mr Glen, as long as you are accessing the website that you think you are accessing—as long as you are putting the money where you think the money is going. We find numerous examples where that is not the case.

**John Glen:** Point taken.

***Stuart Haire:*** That links to providing trusted providers, such as ourselves, banks and so on, with the ability to have those conversations. Right now, there is that fear that we talked about earlier. But yes, absolutely, there are chunks of our customer base that we want to engage with to help them to manage their money more effectively and make it work hard for them in their circumstances.

Q110 **Rachel Blake:** Ms Crosbie, why does Nationwide not provide a lifetime ISA product?

***Debbie Crosbie:*** We don't run regulated advice. We felt that the complexity of that product was not right for our proposition. We also think there are a few complexities with that product, and it would be better to consider a simplification of it.

**Chair:** We are doing an inquiry into the lifetime ISA that will report in due course.

Q111 **Dame Harriett Baldwin:** Mr Glen touched on this a bit earlier, but I want to drill down further into the comments you made about your mortgage book and mortgage losses. Clearly, after the invasion of Ukraine and the spike in inflation, there was a period where the Bank raised rates very quickly. Have you been surprised by how people have coped with that? Have you found that distress has been lower than expected? Did the mortgage charter help? I will start with Mr Haire.

***Stuart Haire:*** The simple answer is yes. We were not complacent going into that period. We put products into live—for example, a higher-fee product, which would then be capitalised so that repayments were simpler. That was not taken up terribly much, because people could cope, and some of that is to do with the fact that in the underwriting, the stress rates did exist. Therefore, people had the financial resilience. We all know that sometimes we grow into our budgets, but people were able to make adjustments, and it did surprise on the upside.

Q112 **Dame Harriett Baldwin:** The stress rates worked. Ms Crosbie, is that the experience that you had at Nationwide as well?

***Debbie Crosbie:*** We found much lower arrears than we would expect in times of stress. We found the portfolio very resilient. Like Mr Haire, we had a number of options ready and waiting, but their uptake was limited. I think that was because underwriting standards—not just stress rates, but the whole change in the sophistication of underwriting standards generally—in the market, not just the building society sector, moved considerably from where they were pre-GFC.

***Susan Allen:*** The only thing I would add is that, although we are in exactly the same situation, we found something interesting. With the mortgage charter, we made available other options to customers, which were promoted well, so we had a number of calls in, and what we were surprised by was that, once we talked customers through the situation and its implications if they, for example, capitalised some of their payments, actually something like 60% of them said, "Well, actually, let me just see.

I think I can manage." The importance of having that human contact and the ability to speak to someone and talk through their situation is the thing. We were pleased that people called us and interested that, once we talked through the different options, a number of people said, "Actually, I think I can manage. I just wanted to know the choice available to me."

Q113 **Dame Harriett Baldwin:** Yes, that message in the mortgage charter about getting in touch with your mortgage lender is confirmed as an important one.

In our LISA inquiry, we heard from the Minister in our evidence session that home ownership is a major public policy objective. I wanted to ask each of you to pick two things that you would do differently to influence the Government entirely to achieve that goal of greater home ownership. I will start this time with Ms Allen.

***Susan Allen:*** One thing is to have a holistic, long-term strategy on the type of housing available in the UK—making sure that we have the right sort of properties being built for the types of needs we will have going forward would be one thing. Another is to try to encourage opening up some of the properties that people are staying in later in life, so that would be looking at stamp duty on the way down—if they are downsizing, we should look at stamp duty to encourage more people to move out of those larger homes and free up more flow in the housing market.

***Debbie Crosbie:*** For me, the LTI limit is the No. 1 thing, which I will not repeat. I would certainly review the MCOB rules. To support the supply side, of course, there are a number of different things that could get more people on the housing ladder. Those could be done quickly.

***Stuart Haire:*** I won't add anything. Certainly, the LTI would make a huge difference to the availability of mortgage lending. I think that stamp duty is a punitive tax, and that it discourages economic activity, so I would have a slightly more wholescale review of that to encourage more transactions in the housing market and to make the market more vibrant. Finally, I am a lifetime ISA supplier. Charlotte—Ms Harrison—was here to give evidence to you. Just making that a simpler product to be able to claim on would unleash a whole load of money that taxpayers have already locked into the product. That would help more people who have shown the ambition and wherewithal to get on the housing ladder to do it.

Q114 **John Glen:** On stamp duty, when I was a Minister, we looked at this principle of someone downsizing from, say, a house of £800,000 to one of £500,000, and the argument was that if you say that people do not pay stamp duty on the £500,000, obviously there is a lot of dead-weight cost, because of all that equity. What was happening was that, if we did not do that, no one would move, but if we did do it, the taxpayer would not be getting a good deal, because in effect we would be giving relief to someone who had all the equity. Do you see my point?

***Debbie Crosbie:*** Yes.

**John Glen:** The question is, from a rational policymaking point of view, how do we achieve that outcome when, clearly, the argument is that we would be wasting money on people who do not need it—but then we do not get their behavioural change? What do you say to that?

***Susan Allen:*** It is about looking at the whole system. It is not that one move in isolation but what it then enables. It is looking at the outcomes and then—

**Chair:** This is a big thing to start a debate on right at the end.

**John Glen:** I could not resist it. I wanted to do something, but I could not for the reason that I have just described.

**Chair:** You can see the enthusiasm from the Committee. Thank you very much indeed to our witnesses. As a Labour/Co-op MP, it is great to have three mutuals represented in Committee today. An uncorrected transcript of the session will be available on the website in the next couple of days. We will now move on to our second panel.

## Examination of Witnesses

Witnesses: Mark Mullen, Richard Davies and Raman Bhatia.

**Chair:** Welcome back to the Treasury Committee on Wednesday 21 May 2025. We are continuing to discuss the state of the world with the banks and building societies. This panel, which is the second today, consists of the challenger banks. I am really pleased to be joined by Raman Bhatia, who is the group chief executive of Starling Bank; Richard Davies, who is the chief executive of Allica Bank; and Mark Mullen, the chief executive of Atom Bank. We have different types of challenger banks with slightly different portfolios, so we will be directing questions as appropriate. I will ask Mr John Glen MP to kick off.

Q115 **John Glen:** About 40 new banks have been created over the last 10 years, but the concentration of customer accounts still massively resides with five of them. You are examples of some of those new banks. One of the things that we want to get to grips with is regulatory burdens. You will have gone on a journey to get your banking licences. First, could you perhaps reflect on how straightforward that was? Could you tell us what you feel could be done to enhance the journey to allow you to innovate?

Mr Bhatia, I visited your predecessor in Southampton when I was a Minister, and she described you more as a technology business than a bank. You all have a different take on what you do. It would be really good to understand where you feel that the regulatory journey has been inappropriately burdensome and taxing. In the context of what the Government are asking regulators to do, how can they specifically make your journeys easier? As you hopefully grow, what can they do now to help you through the next stage?

***Raman Bhatia:*** As you said, in many ways, there is a lot to admire about the UK regulatory regime. Since the financial crisis, we have had more financial stability than elsewhere. We have had safeguards for depositors and protections of their deposits. We have been relatively unscathed by the potential contagion in other markets.

As you rightly reminded us, we have also had a very progressive, modern authorisation regime, which has allowed the creation of new banks. Starling is definitely one such bank, and we have grown quite a bit; we are serving half a million small businesses all over the country, and 4 million retail customers as well. We are now on the cusp of growing further, and this is perhaps the time to revisit the parts of prudential regulation that are holding our growth back and preventing us from using our capital to do what we do best: investing in technology to make our customers' lives easier.

A good example is the buffer over buffer we have around MREL—that has no doubt come up before in the Committee—which is a requirement intended to prevent taxpayers' money from being used on bank failure and bailouts. We support the principle, but the entry thresholds for MREL are currently set at a very low level. The entry threshold is £15 billion to £20 billion or £25 billion, meaning that once you reach that, your capital requirements go up; in fact, 2x is where it goes, with a glide path, which we think is disproportionate.

Q116 **John Glen:** So they did not index the thresholds to GDP, which was one of the things you wanted a few years ago in the regulatory changes. Is that what you would like them to do? Is there anything else? Is there not also some ambiguity over the £15 billion to £25 billion window? How clear are they about when it actually hits? If you are looking at an acquisition, you will presumably face some uncertainty, with a big leap, over when it is going to bite.

***Raman Bhatia:*** There is a sensible dialogue with the Bank of England in such circumstances. But the threshold is very low, and as you rightly point out, the indexation has not happened. We are calling for a significant increase in that threshold—perhaps to the tune of £40 billion. There is an active consultation under way, and there is a very proactive, open dialogue with Bank of England and the PRA. We are optimistic that the findings will be shared at the end of the summer, so let's see where it goes. This issue is absolutely preventing us from creating clarity around our capital planning, and also locking capital up versus deploying it in the service of our customers.

Q117 **John Glen:** Do you agree with that, Mr Davies?

***Richard Davies:*** Yes. Allica has about £5 billion of assets currently. We plan to remain below the MREL threshold, because hitting it is quite penal, as has been observed with some somewhat larger challenger banks.

I very much echo what Raman has just said, but I would build on it a little and add some other areas and examples. I think there is good evidence that the authorisation and start-up regime for banks works well; it is better in the UK than in many countries. A general theme is that not enough attention has been paid to the scaling phase. The MREL is one example, but let me give you some others.

We called for there to be a scale-up unit, to match the start-up unit. There is not really enough specialist resource available for fast-growing banks. We and various other banks at roundtables therefore regularly report delays around capital processes. It is ironic that we are saying that we want more regulators; in fact, we have said that we are happy to pay an increased levy for that.

Q118 **John Glen:** Let us be clear. In the UK, about 10 years ago, we set up the new banks unit—Harriett probably did it. The regulator looks after the big banks, but there is no regulator that looks proactively, with you, at this middle stage. You have set up and got your licence, but then you are in a bit of an abyss before you get to the big stage—and nobody does get to the big stage. Is that right?

***Richard Davies:*** Essentially. You get your licence, and there is a "training wheels" unit for a little bit of time. Once you exit that, if you are doing quite well, you are growing fast and you are successful, the industry would welcome more engagement with the regulator and more resource to help ensure that capital-related processes and instruments are done in a timely manner. Otherwise, it just creates uncertainty, and uncertainty is anathema to investment. If you are trying to keep securing capital to keep your growth and lending to small business going, that uncertainty really hurts that because there are delays around capital processes. Hence our point that we would like to see an equivalent of the start-up unit for scale-up companies. As I say, we are happy to pay a levy towards that.

I will make two other points that are common, particularly among SME lending-focused challenger banks. I am sure that this Committee has heard plenty of talk about the Basel 3.1 implementation over the years. The initial proposals were fairly adverse to SME lending. Allica was quite vocal on that. I am happy to say that the PRA changed that. However, the details of how that will be implemented are still awaiting clarity. We are back to this uncertain position.

Q119 **John Glen:** Is that because they do not want to be at a competitive disadvantage to the US or Europe? That is why they are holding back.

***Richard Davies:*** This is getting slightly technical—I am happy to follow up with more detail in writing—but they removed something called the support factor for SME lending, which Europe had introduced, and were then looking to essentially give it back in a different process via what they called the SME lending adjustment. It is details of that SME lending adjustment, and how that essentially offsets the removal of the support factor, that are still pending. I do not think that is attached to the delays in the US or similar. I think it is in the Bank of England's remit.

**John Glen:** It would be helpful if you wrote to us on that, because that is detail that we value.

***Richard Davies:*** I have one final point, which we also feel quite strongly about. Within the capital requirements stack, for most SME lenders, a significant part—typically 10% or 15% of the capital requirements—is related to the fact you are lending only in the UK. We think that duplicates other aspects of the capital requirements that are centred on credit risk, which ultimately is a function of the economic environment. It is not obvious how having, essentially, a penalty for being UK-only focused in lending is aligned to either the secondary objective or the Government's mission for growth.

Q120 **John Glen:** Mr Mullen, is there anything you would like to add?

***Mark Mullen:*** There is lots to agree with in what has just been said. The point I would make is that it is not so much about the permission. It is the permission to do certain things that the regulator has been very prescriptive about. Focusing on mortgages, which are a very big part of our business model, 90% of all mortgages underwritten in the UK are underwritten by 10 banks, and all those banks have an IRB waiver. That is not coincidental because that gives them an enormous capital advantage. The average age of those banks is 141 years.

Q121 **John Glen:** And you do not have the data to justify it.

***Mark Mullen:*** We have the data to back this up. If you are a new bank—we are a 10-year-old bank—and you are looking at it, you think, "Is that the qualification—you have to have an age of 141 to get into that club?" You will forgive me for lacking a little enthusiasm or optimism about the prospect of our ever getting there. What is interesting is that, if you do get there—there are case studies from the Skipton Building Society, which was here earlier, and from the Leeds Building Society, which was admitted to that regime in 2018-19—their growth rate is plus 63% over the last five years. So a magical thing happens if you are allowed access to that club. Your lending will actually outperform annual GDP growth.

Q122 **John Glen:** Can you explain that to us, and to those watching?

***Mark Mullen:*** IRB is a permission that the regulator can grant to you that allows you to use your own models to calculate your capital.

Q123 **John Glen:** But, presumably, they would say that you have to have a sufficient track record of solvent behaviour to show that you have not been at risk in that prior period to allow you to go it alone and do it in that way.

***Mark Mullen:*** It is not going it alone, to be fair. Equally, the market conditions that applied in 1980 relative to the market conditions that have applied now are chalk and cheese. In other words, length or durability does not necessarily guarantee quality or good data because the world is not marginally different from those decades—it is transformatively different. I do not think that argument holds.

The fundamental truth is that if you give people permission to expand and grow, it is, incidentally, permission to take less risk. IRB does not give you permission to take more risk. I have permission to take more risk. We all have permission to take more risk. But permission to take less risk and to grow your franchise meaningfully to challenge is still a significant hurdle.

Q124 **Chris Coghlan:** The Bank of England noted in its monetary policy report that household saving rates are increasing, possibly due to precautionary saving. What trends are you seeing in relation to this? The credit conditions survey is also saying that unsecured household borrowing is rising. What do you believe is driving that increase?

***Mark Mullen:*** What do I believe is driving the increase in savings?

**Chris Coghlan:** Yes. Is it precautionary? Are you seeing that yourself or not?

***Mark Mullen:*** You saw a very big change, triggered by covid, in the behaviour of savings in the UK. It has not reversed. Equally, the incentive to save today is rather better than it was five or six years ago. You can earn a relatively decent return on your savings, depending on where you put it. But it is worth advising that loyalty to your bank is generally bad for your financial health. You need to shop around because, frankly, there is a direct correlation between the amount that you earn on your savings and whether you save with one of the big banks. The general rule of thumb is that they will take you for granted and pay you less, and new challenger banks will pay you rather more. That is either because we have to or because we have built very different business models. That is the whole point of new challengers and competition—a better outcome for customers.

I cannot give you an underlying driver of why I think customers are saving more. I can tell you that they are still surprisingly unwilling to move their savings from low savings rates into higher savings rates. Either that is a surplus of caution or there is still a lack of confidence about what the FSCS rules cover. One of the chief executives at yesterday's session pointed to the fact that their customers are loyal because they are conservative. That is all very well when your bank has been bailed out at my expense. If you signal that you are going to bail a bank out—I would quite like it if the Bank of England gave me that permission—then clearly customers will feel an abundance of confidence. Generally speaking, with an increase in interest rates, there has been more action and activity in savings, which is a good thing. But there is an awfully long way to go.

Q125 **Chris Coghlan:** Do you think that part of it may be the administrative burden, and that people just do not want administrative hassle?

***Mark Mullen:*** I think that is part of it. I do think there are concerns about security. The average savings in the UK are hardly something to celebrate. I think there are concerns about how difficult it will be. Lots of people are still concerned about technology and whether they have the confidence to go it alone. You have seen an industry, ultimately, that has evolved from a very hand-holding and advised model, whether it be about investments or mortgages, into a much more independent model. That does not suit everybody.

Q126 **Chris Coghlan:** We are very tight on time. Mr Davies and Mr Bhatia, do you have any comments on that?

***Richard Davies:*** I have one comment on the business savings market as opposed to the personal, which is our focus. I echo Mark's sentiments that far too much cash is not getting a good deal. We published research on this, and SMEs are missing out on roughly £9 billion a year in interest against the top quartile rates that they could get. There is definitely still a quite significant problem of inertia both in consumer and business markets.

***Raman Bhatia:*** A couple of comments from me. The FCA's "Financial Lives" report, which was published only a few days ago, is a good read. What it tells you on savings is that the cash-saving penetration is pretty good, but on investing, we are woefully behind. There is a tail; there are edges of cash savings where there are people who do not have enough financial resilience. In our own data, it is a very similar trend to what has been cited. We launched an easy access saver product in November, with a healthy rate of 4%, and in a matter of four or five months we have seen build-out close to £2 billion. That is quite remarkable. It is open only to existing customers.

We are also observing a very promising trend for younger users of Starling. We have products called virtual saving pots. It is not a regulated product, but a space in the app. We are seeing very high usage of that, particularly in the younger demographic, which is promising in fostering a culture of saving. But on the investment side, I think the culture of retail investing is not quite the case in the UK, and we know that has been the case for a few years now.

Q127 **John Glen:** Can we turn to financial crime? I am keen to explore your distinct views relative to the bigger banks, if you have any. Obviously, this is a big concern, and we are seeing a massive escalation. We were concerned as a Committee to see that the FCA is rather anxious about seeing just "slower growth" in financial crime—it says it is inevitable. There has been some suggestion that because you are digital first, in some respects you have a different perspective and expectation of what is at risk. How do you feel about the level of scam and financial crime? What do you think about the APP reimbursement model, which has been active for seven months now? Is there anything else you feel it would be worth while for us to know about?

***Mark Mullen:*** Very quickly—I am sure you have heard it before—the banking sector is concerned about the platforms that are the primary originators of payment fraud. They are not banks or payment services providers, and they do not appear to be regulated or culpable to the extent that they perhaps ought to be. They should burden-share, given that, ultimately, they are the source of a huge amount of the loss.

On the secondary consideration, the APP scam limit is great for customers, because it is a sizeable limit and is broadly matched to the FSCS limit. However, it is pretty alarming if you are a start-up fintech and you really want to enter this market, because you are faced with a pretty big limit. For most businesses, when we started, losing £85,000 in a single transaction would have been potentially catastrophic. There is a balance to be achieved about who is being regulated and where the balance is, and I do not think it is right.

Q128 **John Glen:** You would not want to market yourself as a less secure place to put your money, would you?

***Mark Mullen:*** I do not think that is a particularly beneficial marketing position—I do not think that is going to fly at all.

**John Glen:** But you see my point. Either you subscribe to the same model as everyone else—

***Mark Mullen:*** No, we have no choice. To be clear, we are a member of the Faster Payments Service, so that is that. It is not a choice that we have, and that is basically a cost of doing business as a bank. The question has become whether the banking industry should be bearing that proportion of the cost. Nobody is disputing that it is there, or that consumer confidence is paramount, but I am not quite sure that all the players are playing their part properly.

Q129 **John Glen:** We heard that yesterday. Mr Davies, would you like to add to that?

***Richard Davies:*** I certainly agree with Mark that there should be some sharing of this cost. I am not averse to paying a part of that as a bank; I think it encourages banks to do more, because historically not enough has been done in this space. It is very much an epidemic, and with the rise of AI tools that allow for much better cloning of websites and deepfake IDs, this can only accelerate, unless some serious action is taken. I think the tech groups need to have some share in that, because that is where it originates from.

I think the solution here is data. The problem is that there is only one play. Even if you have good technology, you only see one side of the transaction, so it is quite hard to spot. We must put in place national collaboration and data sharing between tech groups and banks to solve this. I believe the Home Office is working on something called O3C—I have not seen the detail of it, but it is aligned along those routes. That must be funded in the spending review, in my opinion.

Q130 **John Glen:** That is very clear. Would you like to add anything, Mr Bhatia?

***Raman Bhatia:*** First, economic crime is a drag on the economy. If you are a victim of fraud, it is not just a financial loss but an affront to dignity and confidence. Some of the big-ticket items come to my desk and the stories are quite harrowing. We support the arguments around information asymmetry and the reimbursement scheme logic. According to the latest data on PSR league tables, there has been roughly an average 86% reimbursement by value. Starling has reimbursed more than 90%.

That said, the real discussion here ought to be about preventing fraud at source. You heard that before, and it was discussed yesterday. If I look at our data from Q1, 70% of the fraud originated on debt platforms, many of which have agreed to a voluntary fraud charter. However, there are unregulated investment advice scams that trap people. It is creating an incentive issue, whereby even when we have declared, "Caution, customers," the mandatory nature of reimbursement creates a moral hazard problem.

Our focus as a nation needs to be on prevention at source. That is possible with better technology and data sharing. For instance, we have applied AI models exactly on APP. If you were to give it to an army of human agents and ask them to detect patterns, they will do it, but with AI, we are achieving 36% or 37% more effectiveness in preventing APP fraud. Data sharing with telcos and social media platforms—something that we are assertively pursuing through coalitions—is one way, but I think there needs to be fraud understanding end to end, from origination all the way down to reimbursement.

Q131 **Dame Harriett Baldwin:** Mr Bhatia, I know that your bank does not offer mortgages. Have you looked at doing it and decided not to, or have you not looked at it?

***Raman Bhatia:*** We offer specialised mortgages through a business we own called Fleet Mortgages, which is focused on the buy-to-let market. At the moment, we are focused on continuing to invest in our transactional banking proposition for half a million SME customers all over the UK. Those are really the smaller end of SMEs—sole traders, entrepreneurs—who need a lot of day-to-day help with staying on top of their working capital and making payments. That is where our focus is. On the retail side, we offer an overdraft and a lot of insights and notifications to guide people on their daily financial habits. That is our ongoing focus for the moment.

Q132 **Dame Harriett Baldwin:** We appreciate how important the sector is for achieving the goal of increased home ownership that successive Governments have shared. Mr Mullen, what are you expecting or hoping the FCA will come forward with in terms of your business at Atom Bank? I understand that you are in the mortgage sector.

***Mark Mullen:*** We are indeed, Dame Harriett. The MMR was in 2014. The FCA came out in 2016 and said, "This may be a problem." In 2020, it revised the rules. In 2025, it has come out saying, "That does not appear to have worked." So the first observation I would make is, "Hurry up, please." It seems to have taken a long time to conclude that too many people are getting advice who do not need it, and the cost of a mortgage is therefore higher for some customers than it ought to be. That is a friction and a cost in the market that is avoidable.

The second thing is that the FCA's announcement is almost in two phases, one of which is, "We are going to look at the specific advice piece and then we are going to do a broader piece looking at mortgages." On top of that, there is, "We are also going to look at the PRA's announcement and the building societies rulebook." If you add it all together, it could be quite transformative and important. At one level, it should make sure that people who need advice get advice, but that people who don't, do not. You would say that is a very logical place to get to, but remember that the broker market is the dominant market for new customers, and more than 80% of customers are getting advice whether they need it or not. The change is to be welcomed.

The building society announcement potentially has broader ramifications, because it will increase the competitiveness of the market. Remember, you have thousands of mortgage brokers, but there are really only 10 players in the lending market. One way or the other, this elaborate distribution system will all focus on 10 players. We think there should be more than 10 players. We think that actually, it should not be such an extreme sales funnel. While I welcome the FCA's announcement—

**Dame Harriett Baldwin:** To clarify, are you one of the 10 players?

***Mark Mullen:*** We are, but we are so tiny that, frankly, we would not even register on a graph. We have £3.4 billion of mortgage loans, which sounds commendable, except that in the context of £1.6 trillion of balances, it really does not register. More competition at every level generally produces better prices, better customer experiences and better outcomes, and that is across the whole financial services sector. We should be realistic about how much change you are going to see from the advised process. I am more optimistic about opening more competition through the building society handbook announcement.

Q133 **Chair:** I want to touch on artificial intelligence, which we are looking at as a Committee. In many ways you are at the forefront of technology compared with the more established or larger banks. Are you confident that the senior managers regime means that you are on top of the risks of AI? Are you confident that it is a risk that your banks can manage? You do not need to elaborate on this; it is really just to test the water.

***Raman Bhatia:*** In many ways, banks have been voracious users of the predictive analytics subset of AI for a long time, and the prevention of economic crime is a well-established use case. Now, with the advent of generative AI and the improvements we are seeing at an exponential rate, I am very optimistic about the application of AI at scale. At Starling, we are currently using AI to augment our 24/7 customer service capability, which all sits in the UK. We are using AI to help our agents to serve our customers better. I was speaking to someone in our contact centre in Cardiff; at the end of a call, when you do a call wrap summary, it used to take 10 minutes, but now with a live large language model, which is running as the customer is speaking, you can do it in a matter of seconds.

**Chair:** To be clear, if I were ringing you as a customer, it would summarise it and you would then send that to me. It is not the one that the customer service representative is reading back out to you.

***Raman Bhatia:*** It is for the customer service agent to do a summary of the call—it is called a call wrap. This is a very recent deployment and we are experimenting with it. The same model can help to prompt our customer service agents on the potential indicators of customer vulnerability. There are use cases like that. We are obviously using AI on—

Q134 **Chair:** Could you give a precise example of how AI could spot a vulnerability in a customer? You are obviously using it, and that is quite an interesting deployment.

***Raman Bhatia:*** It is a very recent deployment that we are testing and learning. It would be based on the conversation. For instance, there could be a potential signal of a financial resilience challenge—"I cannot make my ends meet," and so forth—and it would flag to our agents to log that. We have created a tool in our app to log that formally as well. On the back end, non-customer facing, there are many examples of deploying AI to prevent fraud, as I have shared before.

On your question about risk, we need to make sure that the existing regulatory framework is adapted to consider the risks posed by AI, but I do not see the need for a new risk management framework for AI. For instance, there is modelled risk on the PRA front, and the consumer duty framework creates a broader umbrella to consider the implications of AI. We are part of an ecosystem in which we are having this debate. Our CIO is the co-chair of the Bank of England's AI taskforce, which is designed to have this debate in order to deploy AI safely and confidently.

Q135 **Chair:** So you are not worried about risk. Mr Mullen, at Atom Bank you have picked Provenir AI for use. How did you assure yourself that decision was right, and how are you assessing the risk?

***Mark Mullen:*** First, we have not put it into production yet—it does not go into production until September—and, incidentally, we are not using the AI features in September. We are not using them in live production anyway. The principal use of AI in that context is to accelerate the test and learn that you need to develop a scorecard. You can essentially use a machine to farm greater quantities of data for a scorecard in order to evolve it and make it more refined. That is a much more efficient way of, ultimately, auto-generating and auto-optimising scorecards. We have always used scorecards, incidentally, so it is just a new generation of technologies.

Banks are relatively well placed from a governance perspective to have control of this sort of issue. We already have an independent risk function and an independent audit function, and you can call on that independent assurance to hold people like me or the CIO to account—and we already have, incidentally—because the machine does not care but you can sue a company or a senior manager. I think everyone understands that.

We need to be realistic. These days every piece of software that you receive or use will come shipped with AI, whether you like it or not. The same is true of the software that banks are using. That creates new challenges in making sure that we know where our customer data is and that it has not been served into a large language model that we do not fully understand.

Equally, if you ask a large learning model the same question with a 10-minute gap between the first time and the second, it will give you a different answer. That is really new—that's almost human. When we talk about predictive, it is not exact, and we should be realistic. This is new and different technology, and it does need to be controlled. To answer your question, I think there is clarity of accountability. We all know that we are the ones in the firing line if anything goes wrong.

Q136 **Chair:** Mr Davies, do you agree? Do you want to add anything briefly?

***Richard Davies:*** I agree. The key point that Mark has made is that these models are non-deterministic. Unlike traditional AI, which has been used for a long time in banks, they can create different answers from the same input. Therefore, we think about it a bit more like how you would supervise a human, because humans are non-deterministic. If you know exactly what the outcome is from an input, you can assure it once, whereas you probably need to treat it more like you are supervising a team of humans if you are deploying AI agents.

Q137 **Chair:** You mentioned earlier that you were using AI as a tool against fraud. You probably cannot explain too much about that, but can you tell us what you can tell us in public?

***Richard Davies:*** We did some work internally as well as with vendors. I will not talk too much about it because I do not want to expose the tools that we use, because it allows people to target you.

**Chair:** Okay, but you are finding it useful, and it is working.

***Richard Davies:*** Yes. I agree 100% with what Raman says: you can create quite a material uplift in the ability to detect fraud, which generally needs to be a real-time activity, as well as then working with alerts that come out of that detection via the use of AI. It is certainly a very good supplement and accelerant to the humans we have. The humans still make the ultimate decisions for us, but it provides an ability to create leverage and accelerate the work.

Q138 **Chair:** As well as chairing this Committee, I also happen to be the MP for Shoreditch, so I have a lot of fintechs constantly telling me how fantastic their technology is compared with the main banks, which allegedly buy replacement parts on eBay. I do not know whether that is just a Shoreditch tale or is actually true—we should have asked the banks when they were with us yesterday. You have the ability to be more agile and quicker to adopt than the traditional banks. Do you think you are at the cutting edge of AI? Do you think other banks and financial institutions have things to learn from you, Mr Mullen?

***Mark Mullen:*** I think leading edge is better than bleeding edge. You are dealing with people's money, and that is something not to forget, because they certainly will not thank you for an error when it comes to gaining access to their account or understanding their financial security and their confidence. Banking is a trust business: let us not ever lose sight of that.

It is good for us to be experimenting. We have to invest. One of the questions yesterday was about whether AI is going to change employment. Yes, of course it is. I think there was an ambiguous answer, but of course it is. For goodness' sake, it is going to change the dynamics of employment, reduce the number of people employed and change the type of people who are employed. That is going to change organisations.

To be at the leading edge of it is to think about it not just from a customer experience or fraud perspective but from a total business model and societal perspective. There is therefore an awful lot to unpack. Right now, we are thinking, "Are the machines making decisions?" Well, yes. But guess what? The machines have been making decisions on a predictive basis for decades. This is just the next generation of technologies.

Q139 **Chair:** Anything to add, Mr Davies?

***Richard Davies:*** I broadly agree. To be honest, anyone in financial services who claims that they are right at the frontier of AI is lying.

**Chair:** Thank you for the candour.

***Richard Davies:*** There are maybe a few thousand people in the world working on that, and they are not in financial services. They are sitting in DeepMind, Google or Anthropic, or similar. The frontier work is not being done in major banks. We are all looking at how to apply it in sensible ways, but there needs to be a bit of humility around what the leading edge of AI looks like. It is a very small number of people doing some very deep technical work.

***Raman Bhatia:*** I agree. On a relative basis, we have modern proprietary technology platforms, so we are relatively unencumbered by legacy, which means we have cleaner data models. Our ability to deploy AI to help our customers and colleagues is decidedly better. We are not complacent. It is something we need to continue to invest in.

On the nature of jobs, this is one area where we are investing for growth. We will be creating hundreds of jobs in the UK. They will be different jobs; it will be all about different skills, hybrid jobs. It would be intellectually dishonest to say that the nature of the workforce will not be reshaped over a longer period. That is a matter of having a healthy debate about skills and learning across the board.

Q140 **Dame Harriett Baldwin:** I have one last question on this very interesting subject of AI. In the UK financial services sector, who is using it in the most effective way and will come out as the dominant financial institution because of its use? Is there anyone that you would pick out as being really interesting?

***Richard Davies:*** It is too early to say. Previous technology cycles were generally constrained by hardware. Think about the steam engine, electricity, desktop computers, internet modems, mobile phones. There is no hardware constraint for most of it. Therefore, the speed of the evolutionary cycle is like nothing that has been seen before. The extent to which any one institution creates a massive competitive advantage over time we will only see in retrospect. It is too early to tell right now.

Q141 **Dame Harriett Baldwin:** On this subject, do you think our regulators know enough to ensure that the best is achieved through this technology? Or are they going to find ways to suppress innovation in this area?

***Richard Davies:*** First of all, we are also involved in the AI taskforce. It is great that the Bank of England is trying to create that sort of orchestration. I know the FCA is running various AI labs and so on. There are some really good efforts from the regulator here. I equally think that the current regulation essentially works, because it is capturing the outcomes you need to deliver, irrespective of whether it is a human or AI. In that sense, we currently have a lot of safeguards.

Q142 **Dame Harriett Baldwin:** Do you agree, Mr Bhatia?

***Raman Bhatia:*** I agree with that. There are existing forums in place, coalitions and the taskforce. They are all designed with pragmatism and safety in mind. The existing regulatory framework just needs adaptation for AI impacts, versus reinvention of a new regime to regulate AI. That is by and large a principle that is well understood so far.

Q143 **John Glen:** I have another question, as we have a few minutes. I want to go back to the structure of banking in the UK and the concentration that we have. We have seen consolidation with Nationwide and Virgin. We see speculation on what NatWest might have on its shopping list, in terms of other mid-tier banks. We have a small number of large banks and quite a large number of much smaller banks.

In Germany and the US, different traditions have led to a different set-up. You have made the case for being treated as specialist entities. Do you have anything to say beyond what you said about that specialist unit? Do you think that consumers in the UK are disadvantaged by the way we are structured? Is there anything more fundamental you would like to say about how we could do things differently?

***Richard Davies:*** Let me talk from the perspective of businesses, because that is what we do. I will perhaps leave my colleagues to talk about consumers. On SMEs, I guess it has been a big success story in some ways. It is one of the very few markets where the smaller banks now make up the majority of the market share of lending, which is what I'm talking about. That is quite a positive.

There are definitely still quite significant issues in the SME finance market. We published some research on that last month. A combination of a move to the service sector in the economy and various regulatory and accounting changes led to banks focusing on very secured lending. That still leaves a gap around growth finance and working capital for businesses that is quite significant and needs solving. Market structure-wise there has been quite a positive there.

The issue then is, if you have seen a lot of these challenger banks start and get some scale, how do they keep that growing? That is fundamental to our economic growth, if they are collectively now 60% of SME lending, so I think some of the points we were making earlier are fundamental to the continuity of supply for business lending in the UK.

I think the trend towards mid-tier firms merging points to this problem raised by Mark and Raman around disproportionality, where as soon as you get beyond being very small, you have to get very big. I am not sure that is a good outcome market structure-wise, consumer-wise or even prudentially, because mergers involve quite a lot of risk when it is two entities of an equal size combining.

Q144 **John Glen:** Basically, you get to a certain size and there is a cliff edge in terms of the cost, so you basically put a "for sale" tag on yourselves.

***Richard Davies:*** Yes. You see people, often driven by MREL/ringfencing, looking to put together a £20 billion balance sheet and a £30 billion balance sheet to get to £50 billion, and then £50 billion and another £50 billion gets to £100 billion, trying to get real economies of scale. I do not think that is the best outcome, either for consumers or prudentially, because those sorts of mergers create a lot of risk.

Q145 **John Glen:** Mr Bhatia or Mr Mullen, do either of you have anything to add?

***Raman Bhatia:*** On the topic of consumer choice, let us also—to strike a balance in the conversation—celebrate the consumer choice on the back of a very progressive outlook from our regulatory regime, which allowed for authorisation of banks. Along with many others, we have played a part in driving consumer choice and creating competition, really fighting for customer experience, and we see a lot of runway ahead. We have a 10% share of the small business account segment, but as we have discussed, there is the "squeezed middle" phenomenon, if you want to use that phrase. A good example of that is the MREL thresholds, which we have discussed before. Hopefully, that will have a sensible outcome post-consultation, which will allow banks like Starling to really go ahead and create more consumer choice and more competition, and to compete effectively with the incumbents.

**John Glen:** You will have to tell us if it does not work out well.

***Raman Bhatia:*** We will take you up on that.

***Mark Mullen:*** It is a rules-based business. The biggest driver of what banks you have, what they do, who does it and how fast they grow sits with the PRA. Let's understand that if the PRA changes the rules, you are going to get a very different outcome. I have spoken about IRB and the fact that they are not growing; they are lending. If you look at the lending of the 10 banks that dominate the market and compare it with GDP growth over the last five years, or compare it with HPI growth, they are shrinking their lending, and they are supposed to be the powerhouses of the UK economy.

That is fine, but at the same time, the rules allow those banks unfettered access to the Bank of England reserve account. The Bank of England reserve account limits were lifted in 2006 at the global financial crisis, and they have never been changed. Here is the thing: if they can get risk-free and capital-free returns simply by putting money on deposit in the Bank of

England current account, where is the incentive for them to lend? If you want different outcomes, you have to move the pieces on the table in regard to rules, and you have to create disincentives and incentives.

What is absolutely true is that new competition drives better outcomes—all of the data tells us that. I am personally not that worried about the debate about M&A. First, the dynamics of a digital business model are very different. You are talking about a different level of capital investment to get really big than was the case even a decade ago, so I think there is a lot to go at here.

Q146 **Dame Harriett Baldwin:** Can I just pick up on Mr Mullen's point? There are voices in this Parliament that argue that banks should not be paid Bank rate on their reserves; they should be paid substantially less than that, and the money should be spent on public services. What is your view on that proposal, Mr Mullen?

***Mark Mullen:*** I think those are sensible questions to ask. Because that rule was changed in 2006 at the global financial crisis, if you now spin forward to 2025, I do not think anyone should be afraid of asking that awkward question.

At the end of the day, the first question we should be asking is, "Why do we give people banking licences?" Do we give them banking licences so that they can play an arbitrage game between what they pay savers and what the Bank of England pays them? That is not adding value to any economy—let us be really clear. You give people banking licences because they are leverage engines, and they are leverage engines that should be lending. Ideally, they should be driving growth in GDP and lending ahead of the rate of inflation or ahead of the rate of HPI. If they are not doing that, you should raise a legitimate question about what they are for and why you are subsidising them through the Bank of England.

Frankly, if they are not adding value, I might ask the question, "Why can't I just save directly with the Bank of England, please? You are a middleman, so what value are you adding? I can buy the argument that you are driving growth, because that is for the greater good, but I cannot buy the argument that you should have unfettered access to a service that, incidentally, I am paying for, because when last I looked, I own the Bank of England, and so do we all." This is a choice we are not getting to make, as far as I am concerned. It is a policy that has just been enacted.

Q147 **Dame Harriett Baldwin:** If you were Governor for the day, would you change it?

***Mark Mullen:*** I am not an economist, and I am not a monetary policy specialist. I would absolutely want clear and unequivocal answers about why we think this is in the best interests of the UK.

**John Glen:** Perhaps we will write to the Governor and ask him.

Q148 **Chair:** I will just trail that the Governor is in front of us in July, if not earlier.

***Richard Davies:*** Very briefly on this topic: I sort of agree, but only sort of. Maybe there needs to be a threshold. At the margin, it is important in monetary policy transmission. Speaking through a fintech lens, there are players like ClearBank, whose only purpose is to provide clearing services to other banks. We use it to connect to faster payments and CHAPS and BACS. In order to promote its safety, it says that it does not lend the money; it will only hold at the Bank of England. That is sort of a good thing, because it is not a huge institution—otherwise, we would have to have quite a lot of concern about it. Perhaps as a de minimis carve-out, a few billion is okay, but £50 billion is not okay, because I do think there is a role for that sort of institution in the ecosystem.

**Chair:** Thank you very much indeed for your time. The uncorrected transcript will be available on the website in the next couple of days, with major thanks to our colleagues at *Hansard*. It has been really interesting to hear from you. We heard from the building societies that even for a sector that prides itself on being owned by customers, consumer duty has driven change there. They are concerned about ISA limits and financial education advice. We heard concern from you that you are hitting burdensome rules as you grow. We have had quite a lot of discussion about that. It was something we were aware of, but thank you for amplifying that point.

I think both you and the building societies agree that changes to mortgage rules could be transformative, which is interesting to hear. Hopefully, the Government are listening to what is being said here. We had a really interesting discussion about AI and how that is being used, and we are doing an inquiry into AI in financial services, so we are keen to test the waters about how that is being played out. I thank you very much indeed for illuminating a number of those issues, and I hope that you will give evidence to our future inquiries, because it is important that we have perspectives from the whole financial services sector.