

## Up, Close and Personal

# Surviving and Thriving in the Credit Crunch

Many people have come up to me in the last few months and asked me how the “Credit Crunch” is affecting the Bath Building Society.

The national and international news in the financial world has indeed been momentous in recent months. Following the collapse of the Northern Rock in the late summer of 2007 a period of relative stability seemed to prevail in the financial world over the final months of 2007 and through the first half of 2008. However, pressures in the system finally erupted into what has become known as the “banking crisis” in September and October of 2008. We then saw, in a period of unprecedented turmoil, the fall of the Investment banking system, and shockwaves throughout the insurance markets and stock markets throughout the world.

Here in the UK, we saw the near-collapse of some of the largest banks as the government shored up the banking system with the weight of the entire UK economy. Whilst there were notable casualties including the Bradford and Bingley and the Icelandic banks, stability, of a sorts, once again returned. But as we move into 2009 the spectre of recession looms large over many sectors of the UK economy, now hitting the retail sector hard and the nation is braced for worse to come.

The Bank of England has attempted the economic equivalent of electric shock treatment

through drastic cuts of interest rates and is now urging banks to lend in the hope that this will revive consumer spending. And all of this set in the context of a housing market which is also in crisis with house prices falling, availability of mortgage funds severely restricted and mortgage arrears rising sharply. **2008 will undoubtedly go down in financial history as a memorable year!** Or perhaps a year we would rather forget...

Given the state of banking and the wider economy, it is perhaps surprising that the Small Building Society sector, and within it, Bath Building Society is faring as well as it is. As we have made clear over the past year, we have avoided many of the problems that the banks have had. We have

- No exposure to the sub-prime market
- No exposure to complex financial instruments
- No over-reliance on borrowing money from other banks to fund mortgage lending
- Low levels of arrears
- And we do not pursue short term strategies to maximise profits by taking undue risks.

In other words, we have kept it simple. And events have shown that simpler is safer.

But that is not to say that we are immune from all of the impacts of the credit crunch and the subsequent recession. When our accounts are prepared in the next



couple of months they will show that whilst the underlying business is sound and continues to grow steadily, profits have been hit by one-off costs arising from the bail out of the Bradford and Bingley and the Icelandic banks, where the Financial Services Compensation Scheme has been used to protect depositors in these failed institutions, at considerable cost to the remaining banks and Building Societies. Also our accounts will show that whilst arrears remain below industry averages and are well controlled, we have taken a prudent step to put some money aside this year to cover potential bad debts in the mortgage book which might arise as the recession deepens. These factors will reduce our stated profits but we still expect to show a healthy profit for 2008.

**And what of 2009?** Another difficult year for the industry is in prospect with house prices most probably continuing to fall at least in the early part of the year. But the Society will continue to adopt a “safety first” approach, come what may.

**Dick Jenkins**  
Chief Executive



# Society is aiming to help **First Time Buyers** onto the Property Ladder



Bath Building Society is taking an innovative step in helping First Time Buyers get on to the property ladder. The new mortgage is called the “Parent Assisted Mortgage” and uses the equity in the parents’ (or grandparents’) home to enable First Time Buyers to **borrow up to 90% of the purchase price** of their first home. In the current mortgage market, most deals for First Time Buyers have dried up, as lenders are insisting on deposits of 25% in most cases. By using a parental guarantee and some of the equity in the parent’s home, Bath Building Society can offer more to First Time Buyers.

Malcolm Graham-Jones, Head of Lending at the Society says, “Now that prices have dropped back in the property market, this is a **good time for First Time Buyers to enter the market**. The problem they face is a lack of mortgage funding which translates into lenders only rationing mortgages to those with the highest deposits. This way the parent can help their children without having to part with any cash. With lower interest rates in the market and the value of properties now some way below their peak, we can envisage a number of people in the local area taking advantage of this”.

## **Find out more:**

Call **Steve Matthews**, Mortgage Sales Manager for an information pack on **01225 314 055**.

**For all of the latest news and more information** on the Society and its activities, why not check out our new website at **[www.bathbuildingsociety.co.uk](http://www.bathbuildingsociety.co.uk)**



## Business accounts nominated for **Society awards**

Bath Building Society’s business accounts have been nominated for an award by Moneyfacts, a leading authority on financial products. Having featured as a “best buy” in the Moneyfacts league tables in recent months for instant access business accounts, the Society has sought to offer consistently good rates at a time when rates have been constantly changing in the market place. Speaking of the award, Noel Broomfield, Investment Manager at the Society said “It’s good to be recognised for something we do well. The media have focussed on the difficulties that small businesses have in getting credit at the

moment, but we have also recognised that where they have cash it is vital for businesses in the current climate to get the best possible return”. Over 21 categories of awards, the Society is the only local Building Society to be nominated in any category- quite an achievement!

## **Find out more:**

about our Business accounts Call **Noel Broomfield** on **01225 475 704**  
**Mark Wiltshaw** on **01225 475 712**

# Now is the time...!

You might think that the best thing to do with recession upon us is to hunker down, "sit tight", and do nothing regarding your financial affairs. In fact, quite the opposite is true - this is the time to make sure your finances are as recession proof as possible and that whenever the upturn comes - as it surely will - you are best placed to benefit.

**Bath & City Financial** our **Independent Financial Advice** arm brings you some **top tips** for the current climate:

## Investment

You cannot fail to have noticed that property and equity markets are at a low ebb at the moment. In every news bulletin there is doom, gloom and despondency. However, for those that can take a longer term view there may be potential for good long term growth. Many are only tempted to return to the market when confidence is high and values have already been inflated reducing the potential for the best returns. In reality, those who buy when the market is at the bottom stand to make the greatest gains.

## Investing for income

Many people rely on the interest from their Bank and Building Society accounts to supplement their pension income. Unfortunately, with rates dropping sharply in recent months at a time when the cost of living has risen it might be time to review the situation as there may be more attractive options open.

## Tax

When money is tighter the last thing you need is to pay more in tax than is necessary. Now is the time to do some serious tax planning, making sure you are taking full advantage of tax-free opportunities that exist. For instance are you using your full ISA allowance up to £7,200?

## Pensions

With the stock market falling by some 34% in 2008 (source: London stock exchange), many people are becoming more anxious about their pensions. Many people, however, are not getting the best out of the pension funds they **do** have and pension arrangements need to be reviewed regularly to make sure that they meet their changing needs and current market circumstances.

## Redundancy

As well as the possible effect on your retirement planning, it is easy to overlook other valuable benefits that come from employment such as life cover and perhaps income protection and private medical insurance. Changes to employment circumstances may leave people and their dependents vulnerable should the worst happen, so it is as well to review your protection arrangements on a regular basis

## FREE SEMINAR

Why not... Come to a free seminar on **Managing Your Finances in the Recession** which we are holding on **Wednesday February 25th 2009**. Call Rosie Halliwell on 07515 330672 for more details.



## Finding a mortgage

Research from the Building Societies' Association shows that an increasing number of people are starting to view this as a good time to buy property as prices have fallen from their peak in 2007. Others might consider this an excellent time to remortgage as interest rates are at historically low levels. But finding a mortgage might be tricky at this point in time. That's why using an independent financial advisor with access to the whole of the market might be the best route forward.

**New Team at Bath & City.** We are delighted to announce that **Ian Potter** and **Rosie Halliwell** have joined Bath and City Financial bring with them years of valuable experience with major High Street Building Societies in helping people plan their finances. We encourage our customers to discuss their financial needs with their existing advisors, but are happy to offer customers completely impartial advice where such relationships do not already exist.



# Bath Building Society supports Hospital Radio

Bath Building Society has launched its sponsorship of Bath Hospital Radio which serves the RUH and the "Min" broadcasting a wide range of music and messages to patients from families and friends. Dick Jenkins explains, "As other sponsorship commitments were coming to an end, we decided that even in these difficult times it was important to keep investing in our community. Supporting the hospital radio service matched the kind of community involvement that our members told us they wanted in our member survey. Bath Hospital radio, run with the dedication and passion of Ray James and a team of volunteers, does a fantastic and professional job with a very limited budget, and has won awards in

the field of hospital radio. It's a vital service to many of the patients who stay in hospital and the presenters and volunteers really do get out into the wards and connect with the patients. Although many people stay in hospital for only a few days, over the course of the year tens of thousands of people tune into Bath Hospital Radio, so it's a great way of raising the Society's profile whilst giving support to people at a time when they most need it.

**Check out what else we do for the community on our website at [www.bathbuildingsociety.co.uk](http://www.bathbuildingsociety.co.uk)**



Another month,  
another change in interest rates...

Since October 2008 we have seen a dramatic series of cuts in the Bank of England base rate. Despite media pressure to match the base rate reduction in our Standard Variable Mortgage Rate, we have taken a more balanced approach and tried to shield savers from the full effects of these reductions in recent decisions we have made. Our decision not to match the reduction in the Bank of England base rate has been widely adopted by other lenders and has been designed to maintain the strength of the Society in very uncertain market circumstances to the benefit of **all** of our members

*Closer to our customers*

[www.bathbuildingsociety.co.uk](http://www.bathbuildingsociety.co.uk)

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**UCP 01/09**

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*YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.*

*THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME*

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