

Up, Close and Personal

Small is **beautiful...**

Its now, unbelievably, 36 years since economist Ernst Schumacher published his groundbreaking book “Small is Beautiful”. It caused quite a stir at the time, coming just at the point where giant corporations were coming to dominate the global economy and the general mood was “bigger is better”.



But in this recession, with some banks having become “too big to fail”, Schumacher’s words look quite prophetic, at least in the world of personal finance, where a number of smaller players, including many small Building Societies are faring much better than their larger counterparts.

In autumn 2008 when the investment banks across the world imploded and the UK banking system had to be rescued by the government, there was a genuine public reaction that we should return to “good old fashioned banking”, evoking cosy images of Captain Mainwaring in his civilian duties in Walmington-on-Sea. The realisation that many of our high street banks had effectively become “casino operations” was - for many of us - quite alarming and despite the attempts of the BBC’s Robert Peston to explain what was going on, many people felt that it had all become a bit too complicated.

Whilst we wouldn’t really want to go back to the days of Captain Mainwaring and his rather stuffy practices, this recession has revealed that not all of the recent changes in the world of banking and consumer finance have been for the good. Looking at the way things have unfolded in the last couple of years we are thankful at Bath Building Society that we have not followed the trend established by larger companies towards automating our lending processes in the interests of efficiency, but at the expense of good decision making. Arrears statistics across the industry are starting to show that however clever computers are, they don’t really weigh up all the issues in a lending decision in a way that an experienced and skilled underwriter can. And larger companies are finding now when customers do have difficulties in meeting payments, call centre technology, for all its efficiency doesn’t really help to find proper solutions to the

problems that borrowers have. Large companies are naturally drawn towards computer-based solutions because of the savings involved but now we are in recession some of those savings appear to something of a false economy.

It’s interesting to note that the full title of Schumacher’s book was “Small is Beautiful. Economics as if People Mattered.”

Which goes some way to explaining why many small Building Societies are surviving the recession as well as they are. As their annual results for 2009 come out in the next few months I think we will see more evidence of Small is Beautiful.

Dick Jenkins
Chief Executive



PAM hits Mark

Early in 2009 we launched our "Parent Assisted Mortgage" (PAM) aimed at first time buyers trying to get onto the property ladder with the assistance of their parents or grandparents.

With a number of successful applications for PAM this mortgage has struck a chord with first time buyers looking to take advantage of lower house prices, but frustrated by the high levels of deposit many lenders now require. Subject to usual underwriting rules, the Society will lend up to 90% of the purchase price of the house with a charge over the parents or grandparents house for 20% of the purchase value and a guarantee from the parents. The scheme differs from others recently launched as parents and grandparents do not have to put a significant sum of cash on deposit with a bank to help their children make that vital first step to home ownership.

Bath Building Society has won the 2010 Mortgage Finance Gazette award for Mortgage Innovation amongst small and medium sized lenders for its Parent Assisted Mortgage product. Commenting on the award Mortgage Finance Gazette states "This is an efficient way of using the equity that parents have in their homes to allow their children to buy into the property market"

The award for the Parent Assisted Mortgage comes hard on the heels of the Mortgage Finance Gazette's innovation award in 2008 for our student mortgage scheme, Buy for Uni.



Find out more:

For more information on Parent Assisted Mortgage: contact **Gill Orchard** on **01225 475 721**

And speaking of awards...



For more information

on our range of business accounts contact

Mark Wiltshaw on **01225 475 712**

or **Noel Broomfield** on **01225 712 704**

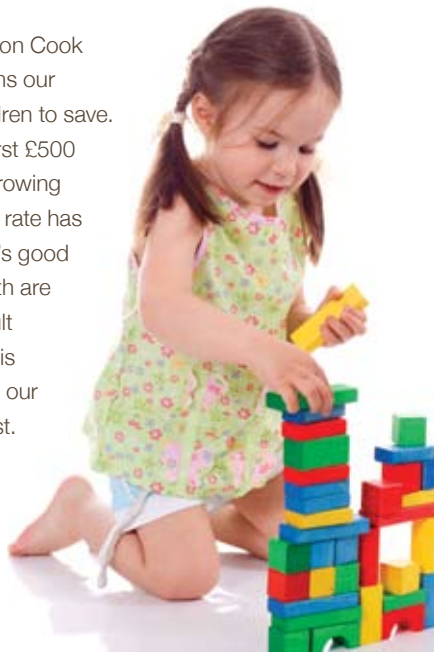
Bath Building Society, holder of the 2009 Moneyfacts award for best no-notice Business account is in contention to retain this accolade in 2010, having been nominated again. We have also been nominated for an award for the best range of business accounts, again underlining our commitment to help small businesses in these difficult times. Speaking of these nominations, Mark Wiltshaw, Investment Manager at Bath Building Society comments

"Its good to be recognised for the effort we have put into the business market this last year or so. Bath is a city of small business and helping them is a powerful and practical way that we can help the community in these difficult times. Very few Building Societies are nominated for Moneyfacts awards across a wide range of categories so this kind of recognition is quite an honour."

Head start for Young Savers

Bath Building Society has been promoting its Futurebuilder Account, aimed at savers from birth to 18 by distributing £1 vouchers to schools and through our branches in a bid to get youngsters into the savings habit.

Branch and Agency Manager, Jon Cook explains "Our promotion confirms our commitment to encourage children to save. With a 5% interest rate on the first £500 saved it's become our fastest growing account at the moment and the rate has featured in the national press. It's good to see how many children in Bath are taking up this account as a result of our promotion". The account is available at our branches and in our agencies around the South West.



Find us on the internet

All information about the Society can be found on our website at www.bathbuildingsociety.co.uk From our website you can find up to date information on all of our products and services, including information about our financial advice company, Bath and City Financial Ltd and our property letting business at Bath Property Letting.

Bath Building Society and Banking Bonuses

Many people have asked us for our view on bonuses recently. This interest comes in the wake of the scandal regarding huge bonuses paid out to certain staff at banks which are being supported by the taxpayer.

Our position is clear. We believe in paying a modest bonus for achievement of good results.

The Chief Executive at the Society is able to earn up to 20% of his basic salary in bonus payments providing a range of ambitious targets have been met, and providing that the Society achieves its budgeted profit for the year. Should the Society make a loss, no bonus would be payable. Targets are constructed so as to reward good long term outcomes for the Society. The Deputy Chief Executive is rewarded similarly but with a maximum of 12.5% of basic salary payable.

These levels of bonus are very different to the vast sums that are paid in investment banks which understandably infuriate ordinary people in times such as these. The huge bonuses in the investment banks are all the more galling when it appears that they contributed to the risk-taking which brought about the financial crisis. Our salaries and bonuses are in keeping with those paid to senior staff in other small Building Societies and are decided by the Nominations and Remuneration Committee after careful evaluation of executives' actual performance. The pay of the Board, including the senior executives, is voted upon by members. It is worth noting that the Society's pay policy for Directors was supported by an overwhelming majority of members in the 2009 vote.

Don't forget: Members of the Society eligible to vote will receive their annual voting pack at the end of March. We encourage members to vote and make their views known on all issues at the Society's Annual General Meeting.

But you can also contact the Society's **Chief Executive** directly on **01225 423 271** or via our website at www.bathbuildingsociety.co.uk

Chris Moorsom
Chairman



It's all happening in Southgate

Bath Property Letting, part of the Bath Building Society Group, has noticed a significant upsurge of business since relocating to Southgate in 2008. David Marquiss, Property Letting Manager explains,

“The letting market is still very busy here in Bath and the location we have in Southgate couldn't be better. It's always busy here and with the shopping centre coming on-stream this is becoming a real hotspot in Bath.

Bath Property Letting had a record year in 2009. Some landlords feared that with so much unsold property on the market we might struggle to rent their properties, but that couldn't be further from reality: some properties we have marketed we could have let several times over. Interestingly, rents appear to be holding up much better in Bath than elsewhere around the country”

For more information

about property letting, contact
David Marquiss on **01225 314055**

Or visit the website
www.bathpropertyletting.co.uk



Don't move: Improve!

For many people, the prospect of moving is less than appealing in the current economic climate. Whilst there is mortgage finance available, the costs of moving and the price of changing their mortgage may deter some from taking the plunge and moving house right now. Depending on your circumstances it might make more sense to extend or improve your existing home rather than move and this might be best financed by taking a Further Advance, rather than adding expense by borrowing on credit cards.

Gill Orchard notes, “People borrow additional funds secured against their property for a wide variety of reasons, but right now, with many builders keen for work and pricing competitively, refurbishment and extension - upwards or outwards - makes a lot of sense for growing families.”

Interested?

Contact **Gill Orchard** our Mortgage Support Manager on 01225 475 721 to find out more.

www.bathbuildingsociety.co.uk

Telephone: 01225 423 271

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Bath Investment and Building Society is authorised and regulated by the Financial Services Authority.

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

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME

Bath Property Letting Ltd is a subsidiary of Bath Investment and Building Society