

Building Societies in 2020: Banking on broker satisfaction?

Published: 27th July 2020



Smart Money People

Summary

Introduction

Lending money via mortgages is a key part of the building society balancing act.

Crucial to the distribution strategies of most building societies are mortgage brokers, with some societies relying on this distribution channel for 100% of their mortgage business.

With so many lenders vying for business, this report explores how mortgage brokers perceive the building society lenders they work with.

Is the broker experience of using building societies any different to other lenders?
Can the building society sector bank on broker satisfaction?

Summary findings

- Overall broker satisfaction with building societies in the first half of 2020 stands at 85.9%. This is some 3.4% higher than banks and 10.3% higher than specialist lenders
- Customer service and underwriting attract some 21% of broker feedback about building societies and the sentiment behind these themes is ahead of the all lender average. Building societies with positive feedback in these areas typically have the highest Net Promoter Scores (NPS)
- Customer service and underwriting account for a greater share of feedback at peer group 3 building societies, and the sentiment is also higher than larger firms
- Peer group 1 building societies have a clear advantage around product and lending themes, e.g. product range and criteria
- Slow service and poor online systems have the biggest downward pull on the NPS of building societies

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About this report

This report summarises all broker feedback collected by Smart Money People in the first half of 2020. This amounts to some 2,456 pieces of broker feedback across some 94 lenders. Brokers were asked a mix of qualitative and quantitative questions.

We've grouped all building societies into 3 peer groups based on their total asset size. Peer group 1 includes the 13 largest building societies.



Smart Money People is the UK's review and insight website for financial services. Over 250k customers and brokers have shared their feedback about providers since launch.

Smart Money People works with 15 building societies to help them collect, analyse and benchmark their customer and broker feedback. We also provide tools to enable firms to promote this feedback via reviews and social media.





WHERE DO

FIT IN?

15 building societies currently use Smart Money People to benchmark their broker and customer feedback.

We help these firms to:

1

Collect Feedback

We'll design surveys for you to share with your brokers and customers

2

Benchmark

Your feedback will be compared against your peer group and the wider market

3

Improve

Gain actionable insight with a real-time dashboard, tailored reports and face to face briefings

Broker satisfaction in 2020

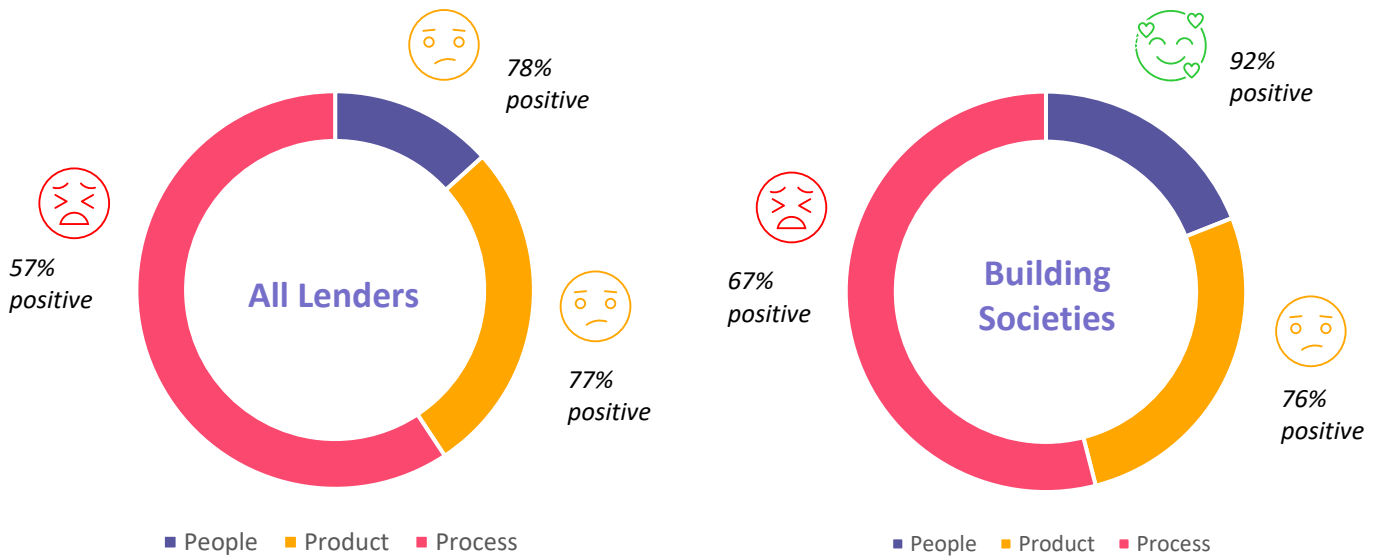
In the first half of 2020 broker satisfaction with building societies reached 85.9%. This is higher than any other lender type.

At the heart of this high satisfaction is the strength of people themes for building societies, especially customer service.

Broker sentiment for people themes is some 14% higher for building societies when compared to all lenders.

Building societies also have a healthy lead when it comes to process, with underwriting emerging as central to this.

The share of feedback and sentiment for each theme



Headline scores across different lender types

	All Lenders	Building Societies	Banks	Specialist Lenders	Lifetime Lenders
Overall Rating (%)	82.7	85.9	82.5	75.6	79.9
Net Promoter Score	+30.8	+44.9	+30.9	+5.4	+18.0

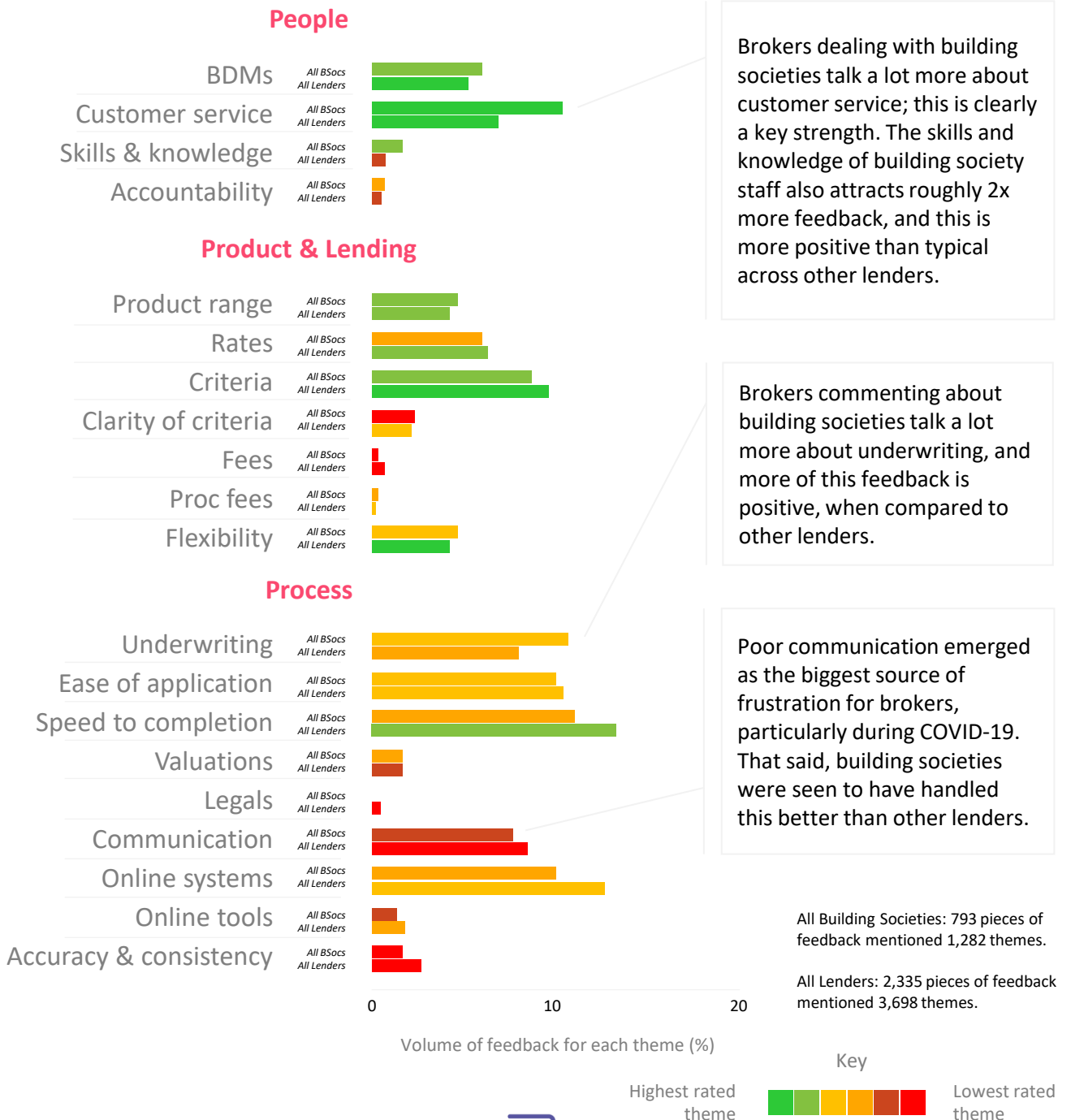


What matters most to brokers?

We asked brokers to tell us what they like about each lender they left feedback for, and/or what could be better. This helps us to understand what really matters to brokers when dealing with each lender.

In the eyes of brokers, building societies do have clear strengths and weaknesses when compared to other lenders. Below we explore the themes and sentiment behind this feedback.

The themes and sentiment behind our intermediary feedback in H1 2020





How do different building societies compare?

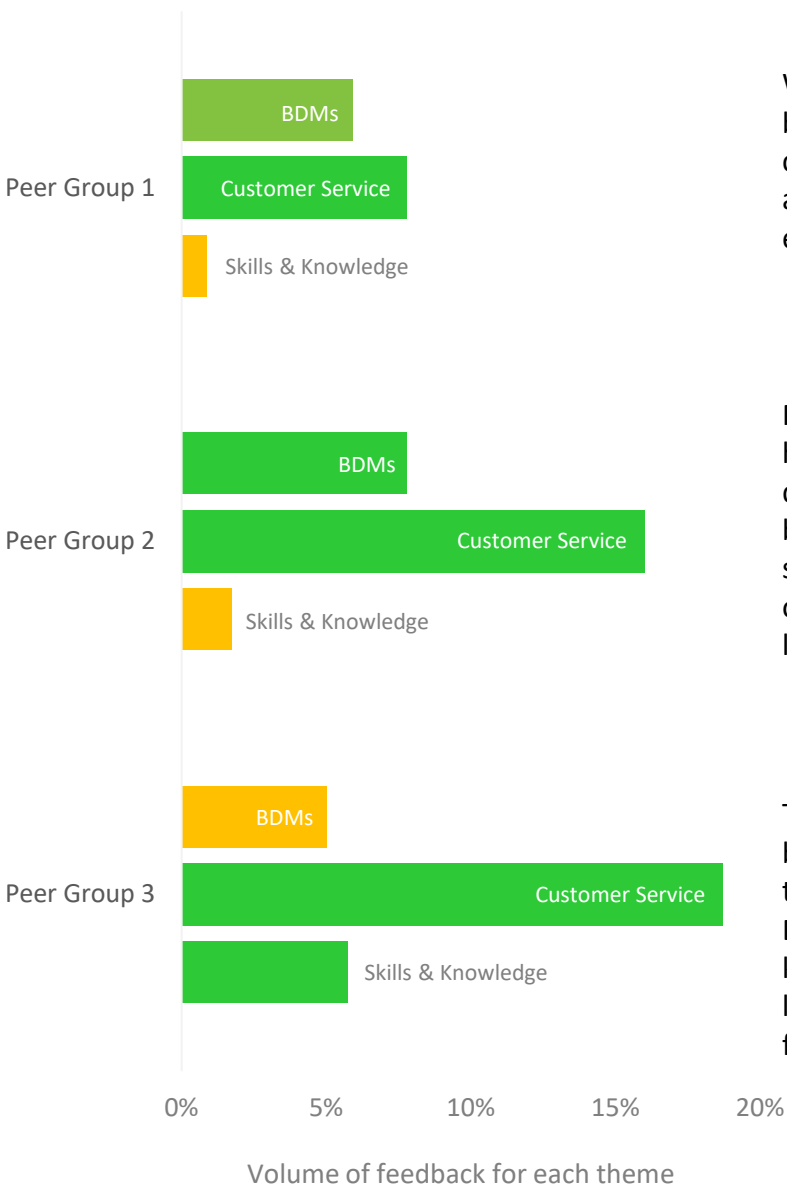
While building societies have clear points of difference when compared to other lenders, there are of course significant differences between building societies.

In the following pages we've grouped building societies into three peer groups (based on asset size).

What impact does lender size have on broker satisfaction?

People themes: How do building societies compare?

The volume of feedback and sentiment for each people theme



While the strength and weaknesses of building societies vary by lender size, when it comes to people themes, brokers agree that all building society peer groups deliver excellent customer service.

Peer group 2 building societies receive the highest ratings around BDMs. When describing what matters most to them, brokers increasingly talk about customer service, with this theme accounting for 16% of all feedback (vs 8% of peer group 1 lenders).

The sentiment for BDMs is lower than larger building societies, but this largely relates to the amount and accessibility of BDMs. Brokers value the personal service and knowledgeable staff offered by peer group 3 lenders, with these two themes accounting for 25% of all feedback.

“They are the most helpful lender, the BDM is always available.”

“Fab broker support team who are very knowledgeable.”

Key

Highest rated theme

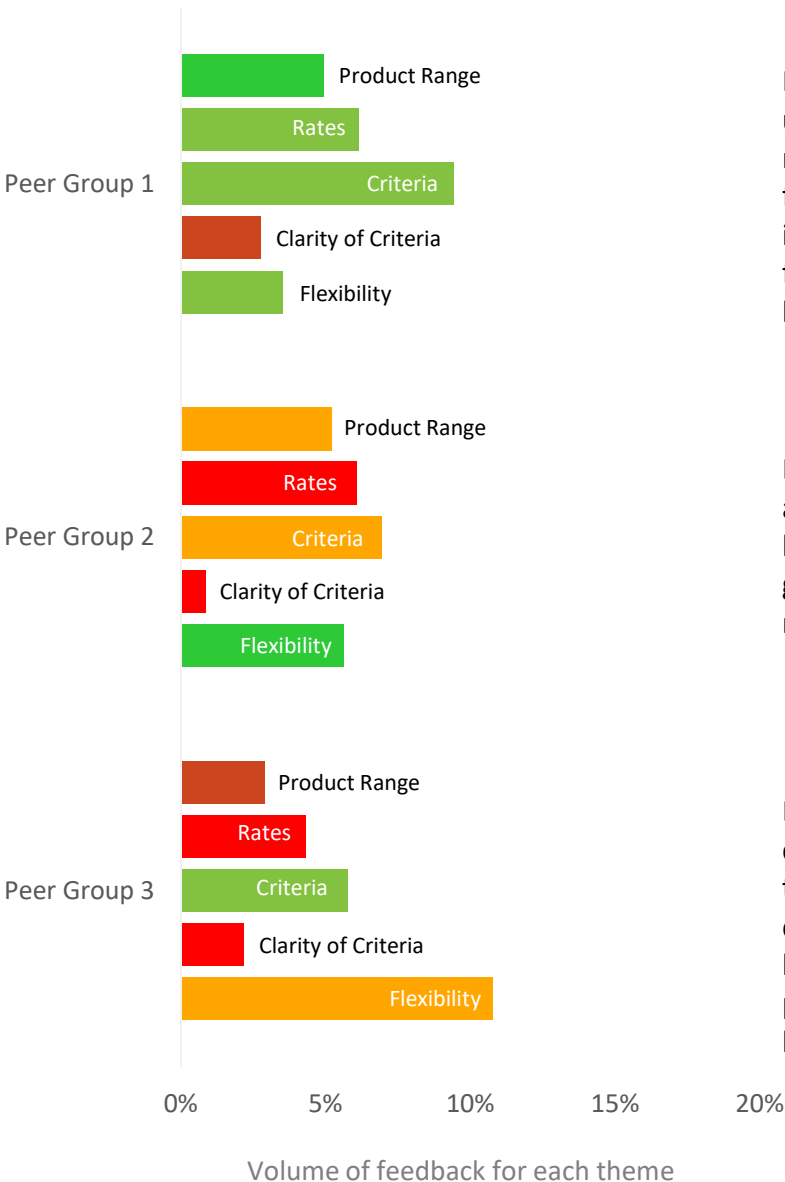


Lowest rated theme



Product and lending themes: How do building societies compare?

The volume of feedback and sentiment for each product and lending theme



Peer group 1 building societies have the upper hand when it comes to product range, rates, criteria and clarity of criteria. While feedback around flexibility is mostly positive, it attracts a relatively small share of the total feedback, which suggests that this group of lenders is less focused on specialist lending.

Brokers view this group of building societies as particularly flexible. While they may not be as competitively priced as their peer group 1 peers, or offer as broad a product range, they “look for reasons to lend.”

Brokers are most positive about the quirky criteria offered by peer group 3 lenders, but they can also be frustrated by unclear criteria. Brokers also recognise that with limited product ranges, and a focus on profitable niches, they aren’t always able to help with every case.

“Good product range. Can fit a variety of different client types.”

“Ex pat criteria wins business.”

Key

Highest rated theme

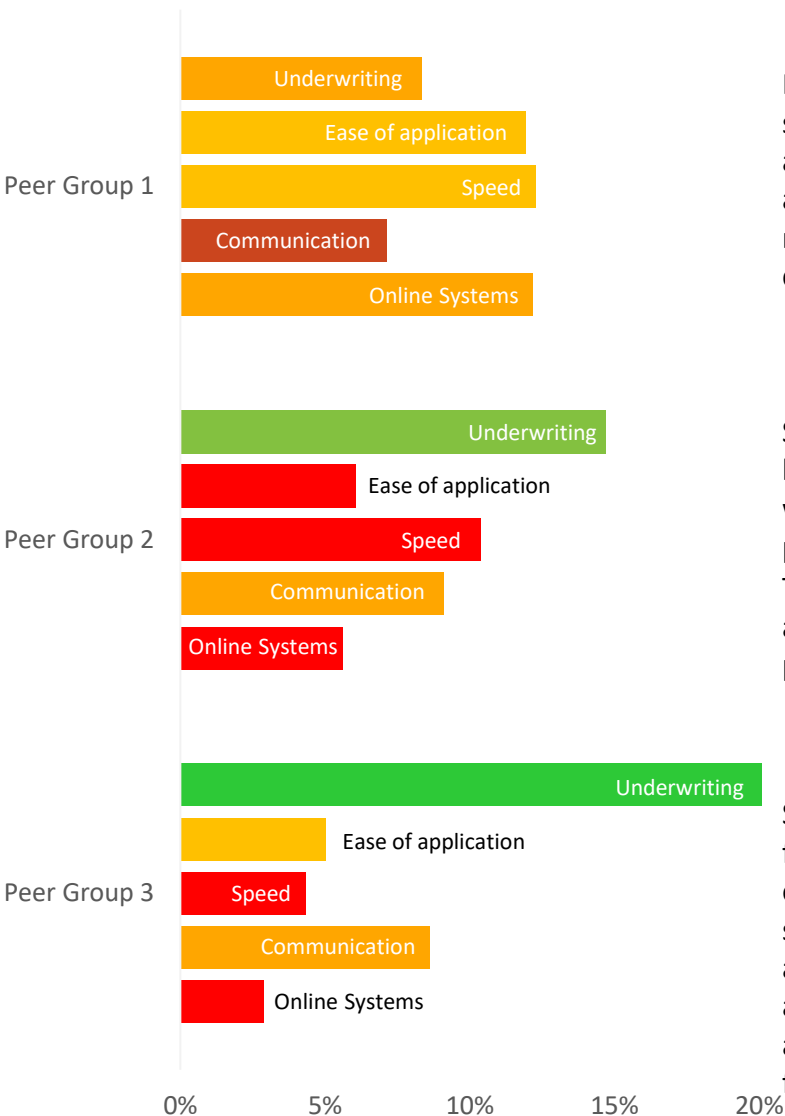


Lowest rated theme



Process themes: How do building societies compare?

The volume of feedback and sentiment for each process theme



Volume of feedback for each theme

Peer group 1 building societies have clear strengths around ease of application, speed and online systems. While the sentiment around underwriting is mainly positive, it's not driving as much positive feedback when compared to smaller lenders.

Speed is the clear weakness for peer group 2 building societies. However brokers dealing with this group of lenders are increasingly positive about the underwriting process. The feedback around communication, often a key weak spot for lenders, is also more positive than larger lenders.

Speed and online systems are the weak spots for peer group 3 building societies, although overall, neither of these themes attracts a significant amount of feedback. Brokers rave about the underwriting process, and this is also the most commented on theme, accounting for some 20% of all broker feedback.

"They're not a computer. They listen and take what is said into consideration. People do the underwriting!"

"Great communication, they make it very clear what is needed to progress the case."

Key

Highest rated theme



Lowest rated theme





What themes really turn a broker into an advocate?

With brokers key to the distribution strategy of building societies, creating advocates that will return with more business really does matter.

In the following pages we explore the key themes behind whether a broker is willing to recommend a lender or not.

How do the themes for building societies differ when compared to other lenders?

Why do brokers recommend lenders?

Building societies are the most recommended lender type, with an average NPS of +44.9. In an increasingly challenging market, being recommended by brokers matters, as it helps to deliver a virtuous cycle that means they can bank on receiving more applications from each broker.

What themes are behind this for building societies? And how does this compare across all lenders?

We've analysed what brokers recommending lenders have to say. Each theme is ranked by both the volume of feedback it has attracted, and how strong an impact it's having on the overall likelihood of a broker to recommend a lender.

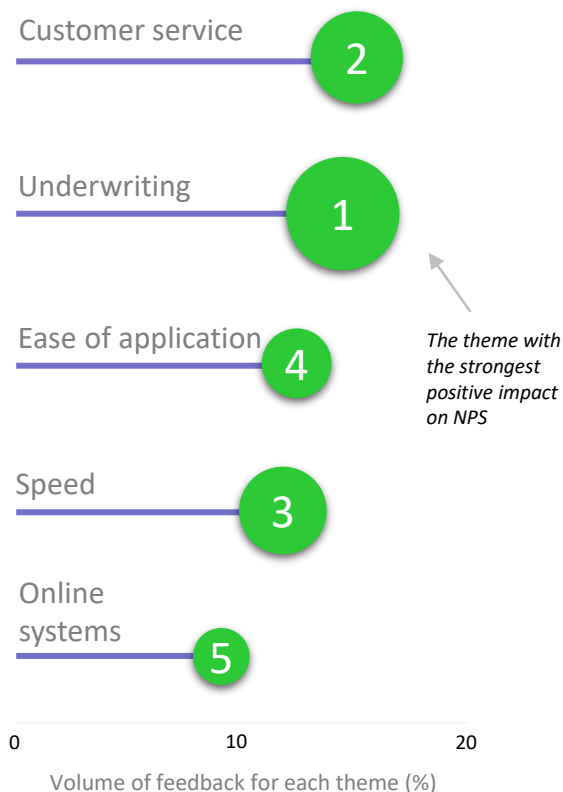
When leaving feedback for building societies, brokers commented most about customer service, whereas across all lenders, speed is both the most commented on theme, and it's also having the strongest positive impact on a lender's NPS.

Building societies with the highest NPS typically have great underwriting, customer service and are also speedy.

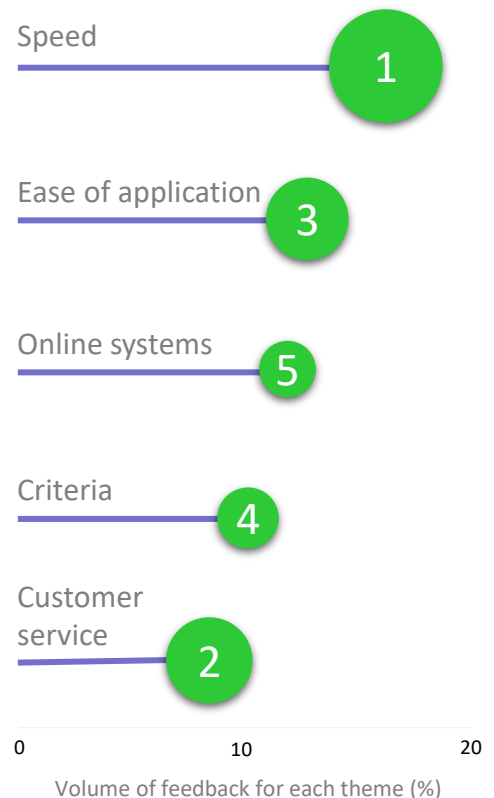
While customer service is only the fifth most commented on theme by brokers recommending all lenders, it's having a very strong positive impact on a lender's NPS.

The top 5 themes promoters talk about and the impact of each theme

All Building Societies



All Lenders



Why do brokers not recommend lenders?

The top five themes commented on by brokers not prepared to recommend a lender are the same across the building society and all lender populations.

Slow service levels and poor online systems generate the strongest negative feedback from brokers leaving feedback about building societies. Lenders with feedback focused on these themes are likely to have a low NPS.

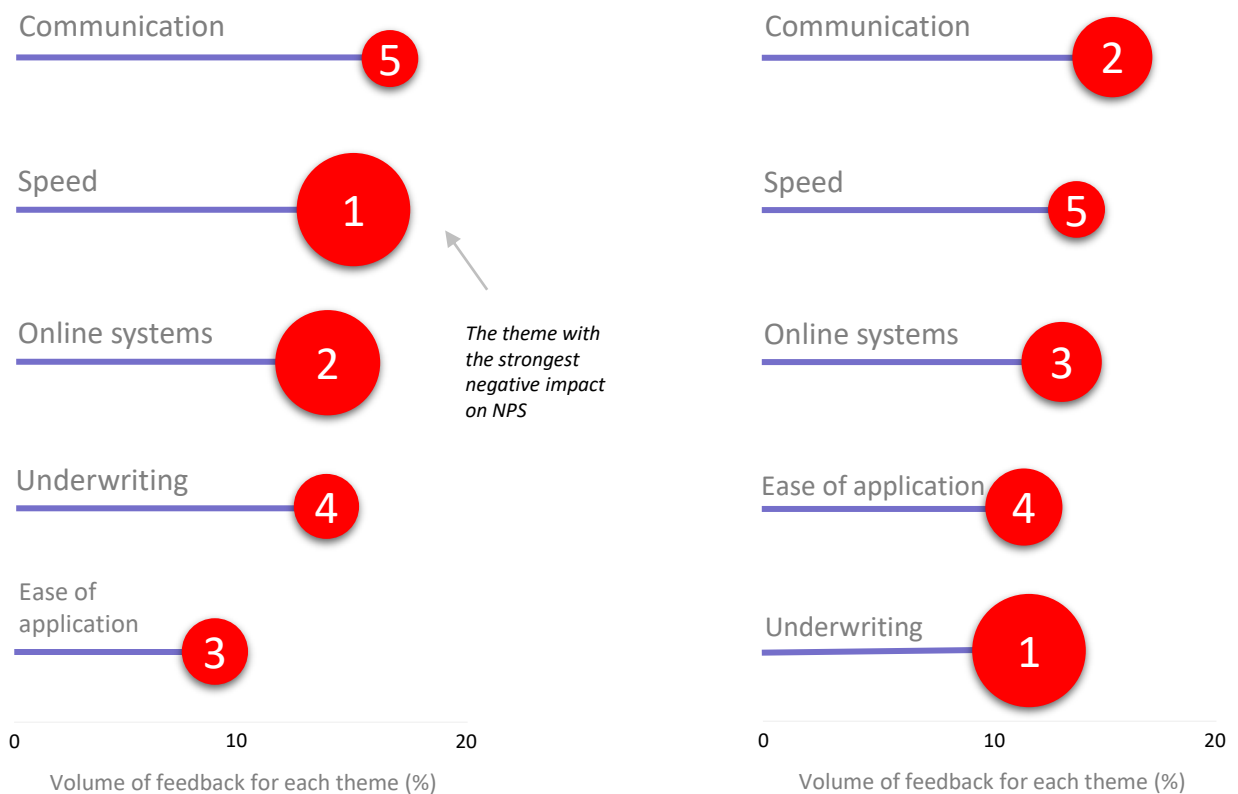
In contrast “difficult” underwriting and poor communication generate the strongest negative feedback from brokers leaving feedback about all lenders.

When these two themes are commented on by brokers leaving feedback for building societies, they’re not having as strong a downward pull on NPS.

The top 5 themes detractors talk about and the impact of each theme

All Building Societies

All Lenders



“Difficult and overly picky underwriting process.”

“A really very slow process. They appear unable to deal with things in one go.”



Conclusion

When it comes to broker satisfaction, building societies have the upper hand.

With the market likely to remain both turbulent and competitive, understanding and acting upon what matters most to brokers will be critical to the success of all lenders.

Our research has demonstrated that in the eyes of brokers, there are clear differences between building societies when grouped by asset size.

While peer group 1 building societies have clear advantages around speed and product range, both peer group 2 and 3 building societies have very positive feedback for their customer service and underwriting in particular. In fact, for peer group 3 lenders, these two themes account for some 39% of all broker feedback and it's overwhelmingly positive.

Feedback for group 2 building societies is mostly mixed around product and lending themes. This group of lenders may not be as competitively priced or offer as wide a product range than peer group 1 lenders, but they are highest rated around flexibility, which suggests that they're working hard to make every application count.

Over the last few years building societies, big and small, have carved out profitable niches. For example, our research has found that 4 of the 5 highest rated Buy to Let lenders in the first half of 2020 are peer group 1 building societies, with just BM Solutions (owned by Lloyds Banking Group) achieving a top 5 rating. This approach looks set to continue.

And yet, challenges lay ahead. While the NPS of building societies is significantly ahead of other lender types, slow service and poor online systems are having a strong downward pull on the NPS of a number of building societies.

To discuss this summary report further,
please contact the team at
Smart Money People using the details on the
next page.



About Smart Money People

Smart Money People is the UK's review and research platform focused on financial services.

We collect and analyse customer and intermediary feedback across thousands of financial firms.

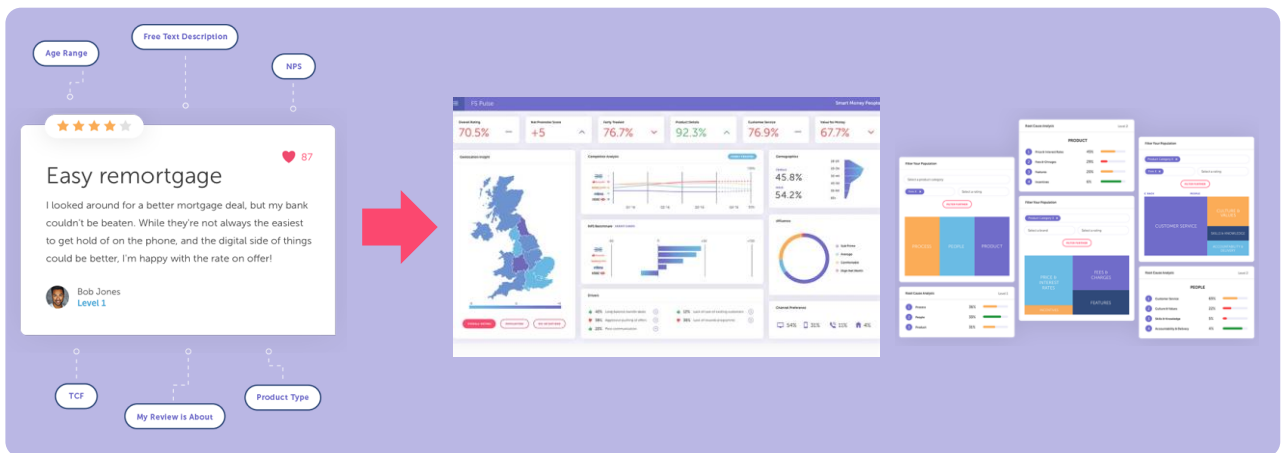
Our dataset spans performance, conduct and culture data points and in the last 12 months, we've worked with 15 building societies.

What do we offer building societies?

Collect Feedback: We work with firms to collect feedback from customers and brokers. This can include a range of performance and conduct data points.

Analyse & Benchmark: We help firms to better understand how their feedback compares to other building societies as well as the wider market.

Promote: We provide tools to enable firms to share some of this feedback online via reviews and social media to help attract more members.



Michael Fotis & Nate Harwood



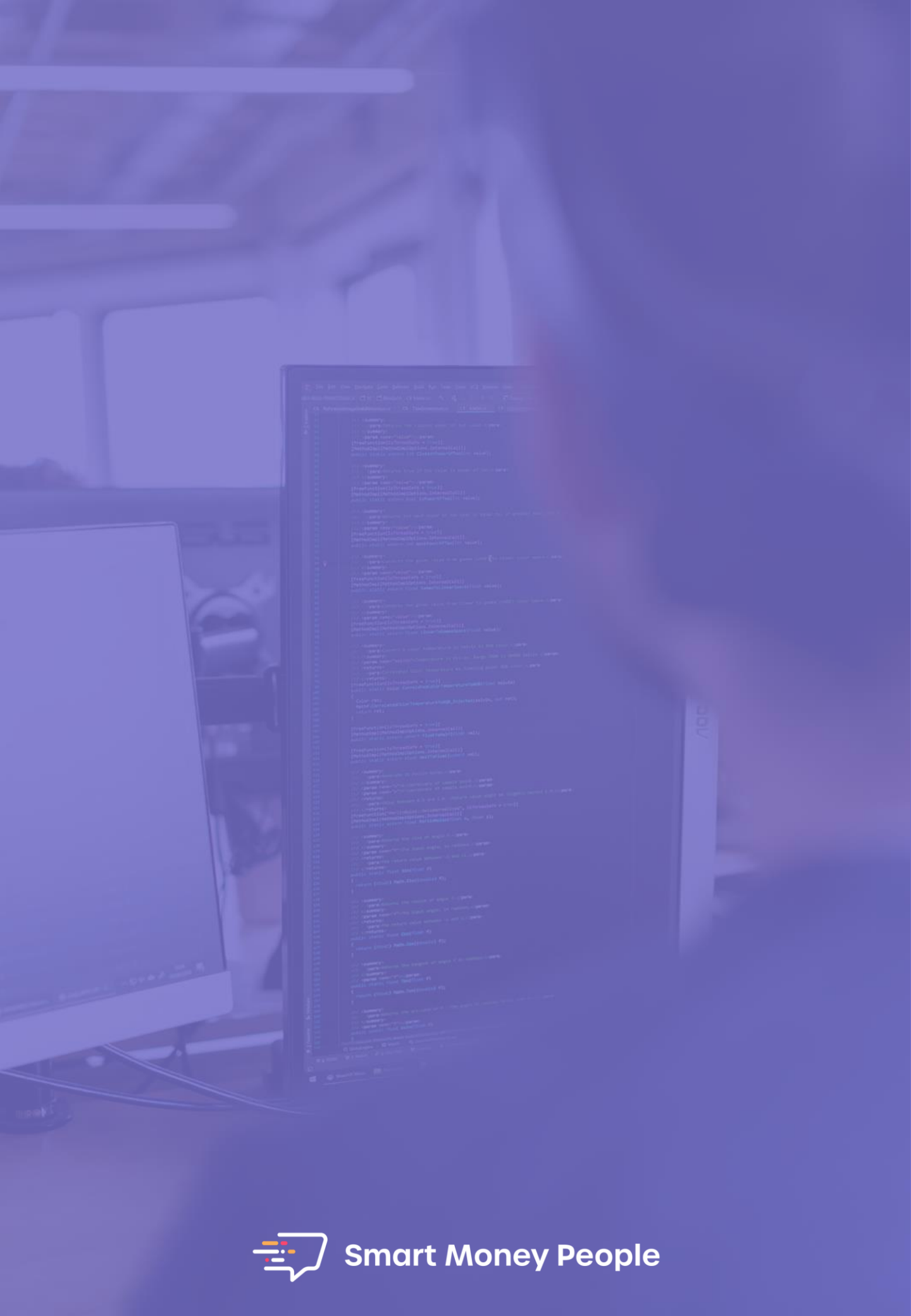
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