



THE TIMES 100

Building Societies Association

Building societies date back almost 250 years and were initially set up to help people to build their own house. These were temporary societies that closed when members were housed. Later, societies started to accept savings from people not looking to build and these became permanent societies. Today, their main business is to accept deposits and lend funds to those wanting to buy their own home. In 1869, the Building Societies Association was set up to represent the industry.

The main way of buying a house is with a long-term loan, secured on the property that is being bought, called a mortgage. A mortgage consists of the loan (capital) and the interest on the loan (interest). A typical repayment mortgage pays off the interest and a small part of the loan each month. Up until the 1980s, only building societies were allowed to lend money for house purchase. Once certain regulations were removed, however, banks quickly became competitors. At the same time, building societies were allowed to convert to become banks if they wished. Mortgages are therefore now provided by both banks and building societies.

Types of organizations

Building societies are mutual organisations. This is a different form of ownership to other businesses, which include:

- Sole traders . a single owner
- Partnerships . between 2 to 20 owners
- Limited liability companies . these have a separate legal existence and benefit from having responsibility for debt limited to the company. They may be private or public: the latter offers shares for sale to the public through the stock exchange.

Mutuals

Mutuals do not have shareholders, but members. Members are both the collective owners and the customers of the society. Building societies do not pay dividends to shareholders, but invest profits back into the society, which helps to provide better rates of interest. Many customers also find building societies friendlier than banks and prefer the personal service that they can obtain at a branch. In contrast, many banks have closed branches down.

Stakeholders

The stakeholders of a business are any group or individual that has an interest in the activities of the business. In the case of banks, a major group will be the shareholders. Shareholders will share in the profits of the bank through dividends. The bank's primary aim therefore will be to make profit rather than provide a good service. Building societies, on the other hand, can focus on better service and on developing a good corporate responsibility focus, for instance, helping regional groups and charities.

Raising finance

A bank, as a public limited company, raises finance by selling shares whereas a building society, as a mutual, has the majority of its funds provided by savers. Banks also operate in the money markets, as do some building societies..

Conclusion

Building societies represent just one type of business organisation. As a mutual their members are both the collective owners and customers. Building societies' emphasis is to give a better level of service to that of the banks . a more personal and friendly approach.