

From Aberdeen to running one of Wales' biggest financial services firms Principality

First female chief executive of the Principality Building Society Julie-Ann Haines believes the mutual model, once viewed as increasingly irrelevant in the dash to demutualisation, has never been more in vogue.

It comes as the Principality, which is the UK's sixth-biggest mutual with assets of £11bn and dates back to 1860, has committed to playing a greater role, with other stakeholders, in addressing the perennial issue of a lack of new and affordable housing stock in the marketplace and moving to not only becoming a carbon-neutral business, but one that encourages decarbonisation through its lending activities.

Julie-Ann was appointed chief executive of the mutual in 2020, after the departure of Steve Hughes, who was lured away by the challenge of running the UK's third-biggest mutual in Coventry Building Society.

Through the pandemic, like others in the financial services sector such as banks, the Principality had to keep its network of more than 50 branches and 14 agencies open.

Reflecting on the outbreak of the pandemic and the mutual's operational response, Julie-Ann, who was born in Aberdeen and joined the Principality in 2007, said: "We were fortunate in that we started testing (remote working) aggressively when we first heard about Covid reaching the UK and we managed to have already left our headquarters building ten days before the national lockdown.

"We normally have around 800 colleagues in our head office in Cardiff and at the height of lockdown we probably only had 10

colleagues in at any one time, with everybody else remote working.

“As and when we bring them back into the office next year it will be on a hybrid model where we are expecting, depending on the day of the week, between 300 and 350 people in.”

While its branches remained open, the Principality did see a sharp fall in cash transactions.

Julie-Ann said: “We saw around a 50% decline in cash transactions.

“We have seen them going back up again, but I would say overall transactions are still more impacted in city centres and large towns like Cardiff, Chester, Wrexham and Newport. While levels are lower than in 2019, they have recovered well from the depths of the lockdown.”

While the Principality remains committed to its high street network of branches and agencies, do advances in technology and growing adoption of cashless transactions mean its days are numbered?

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Julie-Ann said: “There is a migration to digital, card and contactless and cash is lower across the whole industry, not

just Principality.

“However, what we are finding is that as more and more banks close people actually value the branch presence even more.

“What we are seeing with a lot of customers, even if they are not coming in for cash, is that they do want to talk to someone, whether that is mortgage advice or for savings as that opportunity for a face-to-face interaction is really important.

“So, the number of cash transactions is an indicator of how busy a branch is, but it is not the only thing.

“We have also utilised technology, so even if you want to talk to a mortgage adviser and, say, at a branch in Carmarthen one isn't available we will provide a meeting-room where you can talk to one at another branch.

“So, we are not hearing from our members that they want us to close branches.

“What happens in 10 to 15 years' time I don't know, but I remain as committed to the high street as I always have.”

The chief executive said the Principality has no interest in demutalising.

Technically, such a move, even if supported by the mutual, would require the backing of 500 members to convene an extraordinary meeting to ballot all 500,000 members, and then the tall order of a 75% majority vote in favour.

Julie-Ann said: “We have absolutely no interest in demutalising or changing the mutual model.

“That's because we feel the benefits we can give to our members is better served as a mutual organisation as we know what is important to members is much more complex than just a savings rate or the range of products.

“We know that safety and security of our organisation is the number-one priority and having branches in communities is really important, and thinking about our social purpose and making sure we are focused on the future in creating thriving communities.

“At our AGM questions will be about our branch presence and expansion, what we are doing to help address homelessness and raising financial competency and capability among younger people, and ‘can you help my children or grandchildren get on the housing ladder?’

“Our strategy is still all built around mortgages and savings and we think it is a point of difference.

“When I think of the mutual model and the values of the Principality that is exactly what consumers today are looking for... organisations with integrity that are focused on more than just profit and are thinking about the long term for our society. So, the mutual model has absolute resonance and really fits well with what consumers and young people are telling us is important to them.”

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She said investment in its technology platform over the last three years has made it easier to partner with other organisations.

In an initiative from the Welsh FinTech Wales Foundry, it has teamed up with tech start-up Sero to developing a new app capturing the energy performance and carbon impact of people's homes.

While currently at a pilot stage, it is expected to be launched for customers next year, which could see the Principality providing additional lending to help people decarbonise their homes.

It is also working in partnership with housing associations to deliver more affordable homes. Its financing of the Ely Mill scheme in Cardiff, where thousands of new homes are being built on a brownfield site with good public transport infrastructure and plans for its own rail station, is the type of scheme it is increasingly looking to back.

Earlier this year its commercial arm launched its £20m Green Development Fund, for housing developers offering low- to zero-carbon housing schemes.

Julie-Ann said: “We have had a very good response from the market for the fund and will be actively looking to expand it.

“It is about having the right conversation with the developer and in effect ensuring they are rewarded for doing the right long-term actions because we know in terms of risk of that loan it is actually a better one if we are already building to what will be a higher standard set down by government and building regulations.

“So, let’s get in there early, although the big challenge is that 20% of emissions in the UK is from housing and the UK has a lot of older housing that is going to need to be retrofitted to reach these standards.”

With the challenges of reaching the UK and Welsh governments’ carbon- neutral targets of net zero by 2050, will lenders have to price debt based on the carbon footprints of properties?

She said: “I am probably not for that because at the moment what we don’t want is ‘mortgage prisoners, where people are unable to sell their houses because they are not reaching environmental standards.

“Our role is to work with governments and UK Finance and our trade bodies to make sure that this is done in a joined- up and co-ordinated way. We wouldn’t want that situation where someone is suddenly living in a postcode which they cannot get a mortgage on.”

On the mutual’s own green credentials, she said: “As a business we are committed to being net zero by 2030, although some of the detail has to be worked through on how we do that.

“We are looking at systematic and sustainable things that are less about offsetting and more about how we can genuinely change our organisation.

“That is not saying that there will not still be a small

proportion that we need to offset, but it is more about changing for the long term and influencing the supply chain. So how does Principality ensure that the suppliers it works with, and the whole value chain of housing reduces down (emissions)?"

On the perennial issue of lack of new housing stock, she said: "It is about doing a whole number of things as I don't think there is a silver bullet to this. It is about encouraging different tenures of housing.

"We are working, for example, with different housing associations, but also with their private development firms to make sure there is a mix of tenure being built.

"It is not just housing association properties but also in terms of open market. It is also ensuring that there is a good environmental standard being built, and again, Welsh Government are looking to raise what that looks like.

"I think the more action that can be taken answering some of those questions the better.

"Continuing to provide people with incentives to get on the housing ladder is also important, as is speeding planning up and making sure that planners aren't just focused on local development plans, but are also thinking about their strategic development plans. Ultimately it is knowing where is the right place for people that doesn't just look at housing in isolation, but from the perspective of transport and education. And for me it is about leveraging the city deals in Wales to making sure we are focused on that more strategically."

She believes the housing supply issue can also be supported through continued innovation in house building, while interventions by government should focus on where there is market failure to develop new stock.

The married mother of two said: "Ultimately, what I would like to see is government money going into schemes that probably private developers and housing associations wouldn't look at.

"What I think would be a real shame is if public money is going into sites in locations which are very buildable. What I would prefer to see is money going in to address market failure and holding the private sector to account where there should be competition and reducing the barriers and speeding up the build."

The Welsh Government had a manifesto commitment to create a community bank, to address the reducing number of bank branches in communities across Wales, where it believes the demise of cash is overstated. The project is being taken forward by Banc Cambria in a tie-up with a yet-to-be-disclosed financial institution.

Asked whether she believes the bank is needed, with a number of UK Government-backed pilots looking at how to ensure banking services can be brought back to poorly served communities, including banks sharing facilities and a role for retailers and the Post Office, she said: "I understand the concerns that the Welsh Government has about some towns and communities with the lack of banks. However, the reality is for any organisation setting up in banking there is a lot of regulatory burdens, costs and complexities to manage.

"So, for me the question is, how will this be achieved as it is not a straightforward thing to do. The conversation really from our board's perspective is this is something we don't have an interest in starting and we very much hope that what Welsh Government does has a level playing-field for anyone that is involved in the marketplace.

"We have spoken to Welsh Government, who have asked if we would want to be involved. I have said to Banc Cambria if there is a role we can play we would be happy to understand

what that is, but what that is we are not clear on.

“I wouldn’t be going to Welsh Government with a proposal for Principality, as I wouldn’t want to be offering current accounts. That is not our strategy and we believe the costs of offering that would not be in the best interests of our members.”



Principality Stadium

(Image: WalesOnline/Rob Browne)

The Principality is now past they way half way point of a 10-year deal with the WRU for the naming rights to the Principality Stadium.

She said it was too early to consider renewal.

On the rationale and impact of the tie-up, Julie-Ann said: “There were a number objectives for partnering with the WRU, including increasing our brand awareness both here in Wales

and the UK.

“There was also a piece around investing in communities and working with the WRU we are continuing to do that. We don’t do the Premiership (semi-professional rugby league sponsorship) anymore and that is enabling us to have a role to play in community rugby right across Wales.

“The third piece was around enabling members to benefit and we have helped well over 10,000 come and enjoy experiences at the stadium and we have seen our brand awareness and consideration in both Wales and England increase.

“So, we are really pleased with the progress we have made. We always knew there would be a group of consumers who wouldn’t particularly want the stadium [previously the Millennium Stadium] to be renamed, but compared to other deals, not just in the UK but globally, our name adoption occurred more quickly than we had anticipated. We still see a number of people referring to it as the Millennium Stadium, but we always expected that... just as my dad still refers to it as the Arms Park.”

However, does the name the Principality have a negative connection, with some seeing it as a colonial term imposed on Wales from the Middle Ages? In 2012 the Geneva-based International Organisation for Standards reclassified Wales as a country and not a principality.

Julie-Ann said: “We have not heard from members for a request for us to change our name and at the end of the day we have got more than 500,000 members, the majority in Wales.

“If this was a big issue we would be hearing about this and we are not.”

While 77% of its savers are based in Wales the Principality has significantly grown its mortgage customers across the border, with the English market now accounting for 65%

(customers).

The chief executive said: "I joined the society in 2007, the balance sheet was less than £5bn and we are now at £11bn and we very much compete on a UK basis."

Asked to describe how she thinks she is perceived across the organisation, she said: "I think my style is very open as a leader and I try to be very accessible. That has come to the fore obviously working virtually as the ability to walk around the office isn't there as it would have been previously.

"So, I have put in place opportunities to engage with colleagues right across the organisation.

"I think they would say I am someone who tries to get a balance between creating an empowering organisation, but knowing where I am on the vision so people know where we are headed.

"I also think they would talk about me being very authentic about the person I am and what my strengths and weaknesses are. I talk a lot about development and what enabled me to be able to become CEO and the hard work and energy that has taken in my terms of my own development and how I encourage people to do the same."

As for getting more women into senior roles at the mutual, she said: "Seeing me becoming chief executive makes them realise that it is possible.

"I think organisations need to spend time talking to teams about what has made it possible for individuals to achieve and for that to become part of the conversation, whether that is a female thing or whether someone who is disabled or from a minority ethnic background."

The mutual board, while having strong female representation under its chairman, Sally Jones-Evans, doesn't currently have

anyone from a black or Asian background.

Principality's executive has 44% female representation and 28% for the senior leadership team.

Julie-Ann said: "The board at the moment are considering a diversity and inclusion strategy for the whole of the organisation and we want more diversity around the boardroom table and one more non-executive who is from a minority background. So, whether it is around ethnicity or another protective characteristic, the board feels very strongly that we are able to demonstrate that."

After attending university in Glasgow her first job was in Leamington Spa, before she moved to London.

She joined the Principality as head of digital in 2007 and became customer director in 2013 before joining its board.

On the issue of a second independence referendum in Scotland, a matter which might have to be played out in the courts with Prime Minister Boris Johnson implacably opposed to one, she said: "I am still very proud to be Scottish and at the end of the day I think there will be another referendum. It is not about whether I want it or not, but I sense it is either going to be very close or it will go the way of independence."

However, she said it would be helpful if there was clarity before any vote on Scotland's position of rejoining the European Union and its future trading relationship with the rest of the UK.

On where she sees the Principality in a decade, she said: "For me we are in a very fortunate position of being a very strong organisation with strong capital and liquidity.

"Having that mutual model, and knowing it is very much part of our future, the opportunities are around us making more of an impact in terms of the big issues affecting people, including

better and more homes. It is also how we build that financial resilience into communities.

“It is about going back to the basics of a building society and making sure we are achieving that in a fresher and contemporary way by having product and services and support that enable individuals to achieve their life goals and a place that is called home, whether that be because they own it, rent it, or have shared ownership.

“Many of the problems that existed when the Principality was established still exist today, so my job is to ensure that we are focused on that in a way that meets the big challenges that communities are facing.”