

mutual interests

ISSUE 1 SEPTEMBER 2006


mutual **one**
enhancing mutual values



Barry Meeks, Managing Director, Mutual One Limited

Welcome to the first issue of what will be an occasional newsletter from Mutual One which I trust you will find both informative and useful.

We intend to keep you briefed on progress in the development of our collective services to mutual organisations including any future initiatives in the pipeline. Also we will offer a view on topical issues affecting mutuals and the broader markets in which they operate.

Our aim, as you can see from our logo, is to 'Enhance Mutual Values' and both this and future newsletters will hopefully give you an insight into how our products, services and information seminars assist mutuals to do just that in our four target areas of Governance (Audit and Compliance), Cost Control, Growth and Income.

We will also have contributions from our customers, partners and other industry figures and we'd welcome any ideas or feedback you may have to assist in future content. **Just email karen.manger@mutual-one.co.uk**. We look forward to hearing from you.

Barry

INSIDE THIS ISSUE

- p2** Internal Audit Business Grows
- p2** Compliance Collective
- p3** Distribution & Sales
- p3** Information Technology - Insource v Outsource
- p3** General Insurance Sales
- p4** Mortgage Partnership

Stop Press

New Market For Mutual One Limited

Mutual One Limited, a joint-venture owned by a number of building societies, has now moved into its third targeted mutual sector for internal audit services, by winning a contract to work with Chelmsford Star Co-operative.

This important development for the company follows hot on the heels of Mutual One moving into the Friendly Society mutual sector; having recently acquired the internal audit business of Vaughan Passey. Mutual One is already the internal auditor of choice to twenty UK building societies. The relationship with Chelmsford Star will allow Mutual One to bring its "collective", cost-effective, high quality, risk based approach to audit into the co-operative sector that is increasingly looking to adopt higher standards of corporate governance.

Bob Farrell, Chairman of Chelmsford Star Co-operative Society's Audit Committee added:

"Chelmsford Star Co-operative Society has brought itself back from the brink of extinction by the progressive adoption of best practice in all its business operations. The Board are committed to maintaining the society's independence by adherence to both best practice and exemplary corporate governance and strengthening them wherever possible. We are aware of at least one other society that employs external specialists and see this appointment as a natural extension of our best practice credentials - we welcome Mutual One's expertise and independence as part of our future strategic rationale."

Speaking for the co-operative movement Dame Pauline Green, Chief Executive of Co-operativesUK said, "Chelmsford Star is the first retail co-operative society to avail itself of these services. This is exactly the sort of arrangement we should be seeking with the mutual sector. Co-operativesUK would like to see it extended to the whole co-operative sector."

Andrew Gold, Chief Operating Officer of Mutual One said "Mutual One provides a collective approach to internal audit which is used by 30% of the building society sector and now is being seen as equally relevant and attractive to other mutuals. We hope that Chelmsford Star's progressive approach to corporate governance will mean that they will be the first of many clients in the Co-operative sector"

Internal Audit Business Grows - Building Societies, Friendly Societies and Co-operative

It's been an extremely successful last 12 months for Mutual One in the expansion of its core business offering of Internal Audit, with a number of new clients signed. So far in 2006 these have included;

- Ipswich Building Society
- Chelmsford Star Co-operative
- Suffolk Life
- Pharmaceutical & General Provident Society Limited

Over the last year our client base has expanded to 20 building societies and 5 other mutual institutions, all of whom are now benefiting from our collective and efficient risk based audit approach. **We have now successfully entered two new mutual sectors working with both Friendly Societies and Co-operatives, the former facilitated by our agreement**

earlier this year to take over the audit obligations of Vaughan Passey, an established friendly society auditor.

In all of these new markets we believe the operational challenges of similar risks and regulation are well suited to replicate the Mutual One collective approach now so well established in the building society sector:

Increasingly, we are becoming the benchmark for outsourced internal audit services within regulated organisations. Our regular meetings with the FSA to update them on Mutual One's progress, enables us to gain an important first hand insight into their concerns and hot topics for the mutual sector. Also by working with so many mutuals on common risks, we are able to strongly offer a 'benchmark view' on corporate governance across the industry.



Andrew Gold, Chief Operational Officer, Mutual One Limited

In summary, because of our collective approach Mutual One is uniquely placed to supply mutuals with an unrivalled quality internal audit service at exceptionally attractive rates.

To learn more contact Andrew Gold, Chief Operating Officer at andrew.gold@mutual-one.co.uk



Compliance Collective

One of the major business challenges today facing all mutuals is the time and cost attached to ensuring adherence to the ever expanding range of compliance requirements. In many instances, the feedback we are now receiving is that such time and costs are disproportionately outstripping core business growth within the organisation.

Each and every mutual effectively is now reinventing the same wheel by reviewing individually the same rules, drafting similar policies and effecting similar controls and checks. This is not only unproductive, but also distinctly lends itself to a much better solution. Mutual One is launching that solution in the second half of 2006 called **The Compliance Collective**.

The drivers behind this new service are not dissimilar to what created the collective Mutual One internal audit service seven years ago. By working together through the catalyst of Mutual One, a collective and more standardised approach can be established that provides each society with a more productive, cost-effective and risk dispersed solution. **This will be a menu-driven 'pick and mix' approach that can either supplement existing compliance resources or offer in substitution a complete outsourced compliance solution.**

Two simple options will be on offer, namely...

1. Information Services - supplementing the existing Mutual One compliance service offering tools to mutuals, mainly in template documentary form, allowing them to build their own manuals, policies and procedures for each area of compliance requirement, and

2. Monitoring Services - supplementing the Information regime to assist mutuals with template monitoring plans across 16 areas, which will help societies to assess whether their policies and procedures are being effectively delivered and adhered to in practice.

Both options will be supplemented by a 'Plus' service level whereby Mutual One will bespoke all documentation to fit the circumstances of each society and also will carry out directly all the necessary monitoring activity to ensure compliance standards are being maintained.

Mutual One presented a series of trial seminars to a number of building society mutuals earlier this year and found a significant level of interest existed. As a result this project will be progressing later in 2006 initially with a small number of partners and, once then established will be extended to other interested organisations and in due course to other mutual markets. **For more information contact Andrew Gold at andrew.gold@mutual-one.co.uk**

Distribution and Sales - The Key Challenges

Mortgages

The Mutual One Mortgage Collective is a unique proposition for building societies to benefit from economies of scale delivered by collaboration, in order to meet the dual challenges of distribution and asset growth. The initiative centres on three main areas of activity, namely...



1. New Originations - a partnership with certain Mutual One targeted distributors who have agreed to distribute mortgage products from building societies in a unique and exclusive 'mutual club' fashion.

2. Mortgage Partnership - a new concept where a society is able to issue KFLs and get an immediate online point-of-sale decision on a range of mortgage products that sit alongside, and are a supplement to, the society's own product range. **See main article on page 4.**

3. Portfolio Acquisition - the ability to acquire mortgage portfolios at much lower threshold quantum levels, alongside a special arrangement for lower legal costs on the transaction.

A number of societies are now working successfully with Mutual One in all the above areas.

*Richard Carson,
General Manager, Business Development,
Mutual One Limited*

Information Technology - Insource v Outsource?

Senior management of building societies tend to have a love/hate relationship with IT. To remain competitive and compliant they need the most up-to-date functionality and yet to achieve that means being bogged down in constant 'testing' and increasing support costs. In many cases the mutual does not have the time or resources to absorb both and so, in the end, something is sacrificed.

The Mutual One IT Managed Service delivered in conjunction with Bailey Computer Services (BCS) is a complete end to end building society system solution offering rich functionality and a unique collective cost structure which sees the fee levels reduce for all users as the mutual customer base grows. In this way by acting through Mutual One, building societies together enjoy a cost platform with a distinct cost advantage which exceeds them acting in isolation.

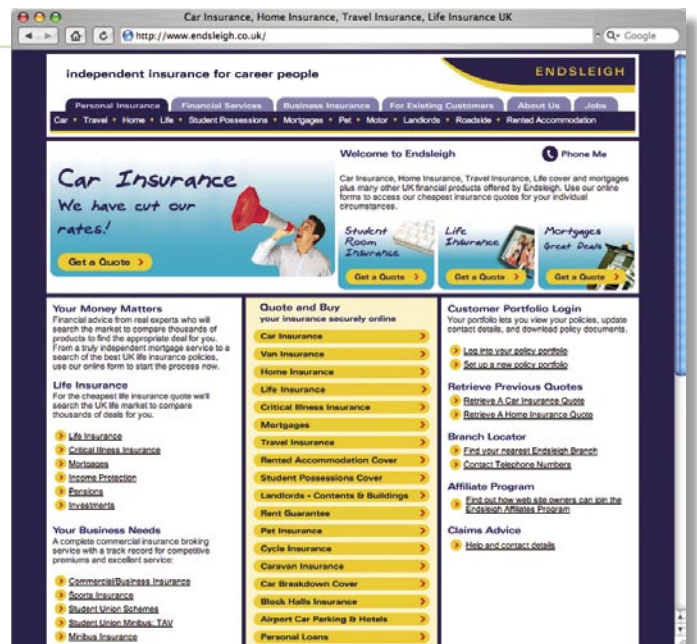
For further information on Mortgages, Insurance or IT contact **Richard Carson, General Manager, Business Development** at richard.carson@mutual-one.co.uk

General Insurance Sales

Selling insurance schemes to an organisation's own database or in retail branches is not a new idea, but with the increasing commoditisation of general insurance products and the growth of internet selling, doing so effectively and competitively is putting increasing strain on the sales and marketing process.

Mutual One has partnered with Endsleigh Insurance to offer mutuals the opportunity to strengthen and expand your insurance offering, by being able to access a complete retail range of general insurance products, without any administrative or regulatory cost or hassle, and to also optionally offer the service online.

The products available to choose from include Motor, Household, Travel, (Holiday, Annual, Multi-Trip, Winter Sports, Backpackers and Gap Year), Landlords, Tenants, Roadside Recovery and Pet Insurances. This exclusive scheme offers enhanced commission terms which are only available through this initiative.



Mortgage Partnership - Meeting all Customer Demands



Mike Perry, Amber Homeloans Limited

Sales opportunities are difficult and costly to generate and when they do arise it's important to capitalise on them and try to satisfy the customers' needs. This is particularly true in the highly competitive arena of the mortgage market, where lender supply significantly exceeds demand and intermediaries are becoming ever more powerful.

Many mortgage enquiries are 'lost' because, as a lender, you cannot satisfy a product need, or are not prepared to extend your lending criteria to meet all possible borrower demands. However, many of these enquiries are potentially from existing investors or prospective future members and most come with the opportunity to cross sell insurance or other related products alongside the mortgage. Many lenders have experimented with trying to introduce such enquiries to third-party brokers, but the break in the sales process and the loss of control certainly hampers the end likely rate of success.

This is where the Mutual One Mortgage Partnership can provide the solution. Working in collaboration with Amber

Homeloans (Amber), a specialist mortgage lender, you will enjoy the following benefits:

1. A range of competitive products including Non-Conforming, Self-Certification, Buy-to-Let and Adverse Buy-to-Let to run alongside and supplement your own internal product range.
2. Point-of-sale Online Solutions facilities including a penny-perfect KFI and a Decision in Principle (DIP). The DIP is available for any Amber product, providing either an automated yes/no decision within minutes or a decision based upon referral to an underwriter within one working hour. The DIP gives you and your customer the comfort of knowing whether your case will proceed prior to you submitting a full application.
3. Retain all income from cross-sale opportunities (household insurances, MPPI etc)
4. An attractive level of introducer procurement fees that are not watered down by having to share with any third-party.

Wrapped around this whole process and really emphasising the spirit of 'working in partnership' Amber will provide marketing support, branch posters, leaflets, campaign strategy etc and will provide staff training along with strong ongoing key account support.

Mike Perry of Amber says, "I am delighted that our Mortgage Partnership proposal has been so well received. Amber's products complement a building society's own core range, and I hope that this partnership will prove to be mutually beneficial."

So stop losing those sales leads! To learn more about how The Mortgage Partnership with Amber can work for your society, please contact **Richard Carson** at richard.carson@mutual-one.co.uk

Mutual One Services

1. **Internal Audit for Building Societies, Friendly Societies and Co-operatives.**
2. **Compliance Collective for Building Societies.**
 - Information Services.
 - Monitoring Services.
3. **Corporate Insurance Collective for Building Societies and Friendly Societies**
4. **Mortgage Collective**
 - Origination.
 - Portfolio Acquisition.
 - Mortgage Partnership 'Through Lending'.
 - Conveyancing.
5. **Mortgage Survey and Valuation Management**
6. **Retail Insurances**
7. **Money Laundering Online ID Verification**
8. **IT Collective**
 - a full systems-managed service for building societies.
9. **Virtualisation**
 - a full outsourced 'shared service' platform for building societies.
10. **Financial Services**
 - a complete IFA solution for building societies and friendly societies.

Diary Dates

27th September
Compliance Officers' Forum

17th October
ICAAP and Basel II Seminar

For more information about any of the above please contact Karen Manger via email: karen.manger@mutual-one.co.uk