

## After the Vote

by Keith Brading

The result of the voting by Abbey National members, declared at their meeting held on 11th April 1989, emphasises the need to consider the implications of what may be seen by others as a precedent. About 65 per cent of the 4.4 million saving members eligible to vote did so and almost 90 per cent of those voted for conversion. Under the Building Societies Act 1986 only 20 per cent of savers needed to vote and 75 per cent of those voting to say "yes". Almost 62 per cent of the one million borrowers eligible to vote did so, and just over 90 per cent of them voted for conversion. The Act requires only a simple majority of borrowers to vote in favour.

### Significance of the Figures

To observers conditioned for years to the inertia of building society members as evidenced by the very small response in votes on more routine issues, the sizes of the totals of votes and of the majorities came as a surprise. Nor, writing soon after the event, is it easy to explain convincingly why this was so. Much expense and effort was devoted by the Society to publicising the arguments and this attempt to arouse the interest of members in what was obviously an exceptional event was clearly successful.

The Society's communications to members set out the arguments against, as well as for, conversion - as they were bound to do by law. In newspapers and journals which dealt with the issue, the case against conversion appeared to get rather more space and publicity than the case for. The campaign of "Abbey National Members Against Flotation" opposing conversion was generally well-reported, and it seemed to many that the opponents of conversion were getting the best of the arguments. The case for conversion was rather more convincingly marshalled by the Society in the later stages of the campaign. Nevertheless, so far as the present writer is aware, there was little or no support openly expressed by ordinary members, either during the series of meetings at which the Board explained their proposals, or at the final meeting at Wembley.

Was the prospect of receiving free shares the dominant reason for the massive vote and for the overwhelming majority in favour? Under the conversion scheme each eligible member will receive 100 free shares, the total value of which is expected to be around £150: not a great\* sum in all the circumstances;

\* When I made a comment on these lines to a gathering in Yorkshire, I received the prompt, and perhaps inevitable riposte that "Up here, one hundred and fifty pounds is one hundred and fifty pounds"!

but it may have been enough to sway the voting of those members who felt no natural adherence to mutual ideas, and there may have been many of such members. Whether or not the vote reflected a genuine and widespread desire on the part of members to become equity shareholders will become a little more clear when members have had the opportunity (shortly) to subscribe for all the new shares which Abbey National intends to issue - about £1 billion in extra capital.

### **Implications for Other Mutual Societies -**

What implications does the result have for building societies and mutual societies generally? Several other large building societies are known to have been seriously considering conversion, e.g. Alliance and Leicester, Birmingham Midshires, Leeds Permanent and National Provincial. For them the main significance of the Abbey National result is that what had previously been regarded as a difficult procedural hurdle erected by the 1986 Act is not in fact likely to be a serious obstacle.

Those societies which have announced that their present plans do not include the abandonment of mutual status, e.g. Halifax, Nationwide Anglia and Woolwich Equitable, will probably wish to appraise in due course the effect of conversion upon Abbey National's development before making further decisions on this issue.

In considering the implications for other forms of mutual societies, certain differences should be noted. The strength of the mutual philosophy held in building societies has for long been generally weaker than in other sectors. It is to be expected, therefore, that it will be more easily abandoned in building societies than in, for instance, Co-operative societies. Most Co-operatives retain enough reminders in their structure and in their methods of operation to keep their mutual basis more in the minds of their members.

Also, those who direct Co-operative societies are nearly all men and women who have demonstrated some degree of commitment to Co-operative principles. Building society directors, on the other hand, have in recent years been increasingly drawn from those who have little background knowledge of, or commitment to, mutual or Co-operative ideas. There seems less likelihood, therefore, of initiatives from within Co-operatives to abandon their mutual status. Much the same considerations apply to friendly societies.

It will also be borne in mind that although Abbey National argued that its mutual basis no longer had much, if any, relevance to its operations, its main justification for conversion was that its operations were unreasonably

constricted by limits to its powers imposed by statute and by a system of supervision from which its plc competitors were free. Co-operative societies have no comparable grounds for changing their present status.

### **Conversion of Co-operatives?**

Nevertheless, circumstances can be envisaged in which it might seem attractive to those who direct Co-operative societies, or to some of their members, to consider conversion to company status. This might be on the grounds of some of the other arguments adduced by Abbey National; or perhaps to avoid having to adhere strictly to those Co-operative principles which are a condition of registration as a Co-operative; or even perhaps in order to obtain some short-term non-Co-operative gain from valuable Co-operative assets.

The requirements of the Industrial and Provident Societies Acts for conversion of a society to a company are less onerous than those of the Building Societies Act, and require merely a majority of 75 per cent of those members who vote. The procedure is in fact a fairly simple one.

### **The Power of Self-Interest**

The immediate lesson of the Abbey National experience for those who recognise the value and importance of mutual endeavour and Co-operative principles is that we should re-examine the operation of those principles within our own organisations. Although at present the likelihood may seem small, it is quite possible that there may in future be circumstances in which members of Co-operative societies could be persuaded to adopt the attitude shown by the majority of Abbey National members. As the law stands at present the only way by which many societies could effectively counter that possibility is by ensuring that members are aware not only of the form of enterprise they belong to, but also of the benefits which accrue to them by reason of continuing membership.

Those benefits need to be realistic and preferably tangible if they are to help maintain the interest and loyalty of members. It will not be enough to appeal for recognition of the philosophical or political advantages of Co-operation - or to what T.E. Stephenson has called Co-operative morality\* - for if Abbey National members have signalled a message it must be that self-interest can override all but the strongest of other motives. And, should there be some who regret that fact, or even do not wish to admit it, let them remember that individual self-interest was probably the most powerful contributor to the origins and development of Co-operative and other mutual societies. It obviously continues to play a dominant role in human choice.

\* See especially *Rhetoric and Reality of Co-operation*, Co-operative News, April 18, 1989.