

Doubling the co-operative and mutual economy

Mutual and co-operative businesses make a significant contribution to the UK economy, with combined annual revenues of £165.7 billion.

By offering a competitive alternative to shareholder-owned businesses, they are essential for the UK to build an inclusive, growing and diverse economy. They also provide greater consumer choice while delivering 'mutual value' to their members and wider society. Mutual growth will help government deliver on economic resilience, productivity, community power and net zero.

However, their different legal and regulatory frameworks prevent mutuals from competing on a level playing field with their competitors.

Combined annual revenues of

£165.7
billion
↑ 3.5%
of UK GDP

The mutual and co-operative sector stands ready to work with the Government to identify and provide co-operative and mutual solutions to the current challenges facing the UK. We recommend the Government takes the following steps to help the sector to thrive:

Put co-operatives and mutuals at the heart of plans for growth by ensuring they are around the strategic table by:

1. Appointing a "Minister for Mutuals" with responsibility for the wider landscape.
2. Requiring Government and regulatory policy teams to consider the benefits co-operatives and mutuals bring at the start of policy development, not as an after-thought. In particular, for the Government to consider the case for creating new Public Service Mutuals (including GB Energy) and to review the case for mutualising the Post Office.
3. Placing mutuals and co-operatives at the heart of the Government's economic and industrial strategies, ensuring that they are represented on mission boards, advisory councils and groups and invited to events and establishing a Co-operatives and Mutuals Strategic Growth Council to agree how to maximise the opportunities for growth and meet the Government's commitment to doubling the size of the sector.
4. Reviewing the opportunities for co-operation within the credit union sector, such as the development of Credit Union Service Organisations (CUSOs) and the development of a Corporate Credit Union methodology that could offer central finance functions, investment and liquidity management and other relevant shared services.
5. Explicitly recognising building society and credit union branches as a vital alternative to banking hubs and require banks that are withdrawing from the high street to include funding the roll out of universal auto-teller machines among the options which must be considered, where these can be installed in existing and new building society and credit union branches. Funding should include the costs of installation plus an appropriate service charge levied by the branch provider for space rental and support from branch staff.

Level the playing field between mutuals and co-operatives and businesses solely focussed on shareholder profit by:

6. Ensuring governing legislation is regularly reviewed and updated (including contemporaneously with changes to companies legislation), so provisions for mutuals do not fall behind and they can compete fairly and meet the needs of the communities they serve. This should include:
 - Ensuring that the recommendations of the Law Commission's reviews of co-operative and mutual legislation are implemented by the end of the Parliament.
 - Reviewing the Credit Union common bond framework and existing rules.
 - Publishing the Government's consultation on Employee Ownership Trusts.
7. Ensuring the regulators include co-operatives and mutuals in their consultative mechanisms (such as the FCA and PRA Cost Benefit Panels) and requiring them to develop and adopt metrics to measure their success in ensuring that their policies foster diversity of business models, given this is a positive contributor to systemic resilience and long term financial stability.
8. Extending the Competition & Markets Authority's remit to include responsibility for developing and maintaining corporate diversity and formally review proposals for demutualisation of co-operatives and mutuals.
9. Working to increase the proportionality of audit requirements for building societies, mutual insurers, credit unions and co-operative societies, including considering whether PIE should apply to all those which it currently does, and ensuring that there is a competitive market to provide audit services to firms of all sizes.
10. Regulators using the controls and limits in the implementation of Open Finance to ensure it is implemented proportionately and without negative impacts.

Enabling the creation and preservation of capital to support new and growing co-operatives and mutuals by:

11. Unlocking options for co-operatives and mutuals to raise more capital from investors and communities, including enabling new financial instruments similar to Core Capital Deferred Shares for building societies, establishing a greater role for institutional finance in the mutual economy and by implementing the Mutual Deferred Shares Act.
12. Reassessing the FCA/PRA banking and insurer start-up units, to ensure they are fully equipped to consider and promote corporate diversity, including the barriers to entry for new mutuals.
13. Delivering co-operative and mutual asset locks effectively, via the Co-operatives, Mutuals and Friendly Societies Act 2023.
14. Ensuring access to pools of genuinely mutual start up and growth capital, including the enabling of financial insurers to issue mutual capital instruments and support from the British Business Bank
15. Creating a Community Development Credit Union (CDCU) designation framework to allow additional financing and investment opportunities for credit unions serving different demographic profiles in employers and communities across the country.

