

Proposal to merge Stroud & Swindon Building Society with Coventry Building Society

Your questions answered

Question 1 Why is Stroud & Swindon Building Society merging into Coventry Building Society?

We are clear the transaction is in the best interests of Coventry Building Society members and the Stroud & Swindon Building Society board also believes the transaction is in the best interests of Stroud & Swindon Building Society members.

There will be opportunities to improve the efficiency of the enlarged society, to the benefit of all members, as well as the obvious advantage of increasing the size and widening the location of a combined branch network.

The result will be a larger, more efficient organisation committed to meeting the expectations of its members.

Question 2 Will there be any change to how Coventry Building Society is run?

No. Coventry Building Society has been extremely successful over its history by being a traditional, member-focused building society. It has been one of the best performing building societies throughout the credit crunch.

The combined society will be run by the existing Coventry Building Society board and executive team. Its head office will be in Coventry, and it will still be called Coventry Building Society. In addition, Glyn Smith of the Stroud & Swindon Building Society board will join the Coventry Building Society board as a non-executive director, subject to Financial Services Authority (FSA) approval. Members of Coventry Building Society will have the opportunity to vote on this appointment at the first AGM following merger as part of our normal election procedures.

The same consistent strategy of running an efficient, traditional building society will simply apply to a larger membership.

Question 3 How big is Stroud & Swindon Building Society?

At the start of 2010, Stroud & Swindon Building Society was the 11th largest building society with assets of £2.7 billion and an overall membership of approximately 0.2 million. By way of comparison, Coventry Building Society is the 3rd largest with assets of £18.4 billion and a membership of over 1.2 million.

Question 4 Will the merger damage Coventry Building Society?

Coventry Building Society's performance over many years shows a very strong, responsible and member-focused organisation.

We have undertaken a detailed investigation of Stroud & Swindon Building Society, and are confident that merging will not jeopardise the security and stability of Coventry Building Society.

Importantly, the relatively small size of Stroud & Swindon Building Society is such that it will be integrated without risk of damaging the security and strength of Coventry Building Society. As now, Coventry Building Society will continue to enjoy capital ratios that are amongst the highest of any UK mortgage lender.

We would not take this action if we believed it constituted a risk to the interests of our members.

Question 5 Didn't Stroud & Swindon Building Society make a loss in 2008 and 2009?

It did, like many banks and building societies. But we've looked carefully at the reasons for this.

What's important is that this hasn't happened because of write-offs on bad lending decisions. In fact, its recent reported mortgage losses are relatively low at £2.6 million in 2009.

Stroud & Swindon Building Society's main challenge is that it does not make enough income to cover its costs adequately. It has also found it difficult to attract cost effective funding.

Coventry Building Society has shown that it can fund a much larger business cost effectively. We're the most efficient building society in the UK and by migrating Stroud & Swindon activities to Coventry we can make the enlarged business even more cost efficient for the benefit of all members.

In summary, Coventry Building Society has the financial strength and track record of performance to address the challenges that Stroud & Swindon Building Society has faced.

Question 6 What will be the impact on jobs?

Our aim is to secure as many jobs as possible given the need to run the enlarged business efficiently in the interests of all members.

We have committed to maintaining the branch network of Stroud & Swindon Building Society for at least 12 months, with no reduction in the number of branches or agencies or amongst branch staff as a direct result of the merger.

It is in the interest of all members to integrate all other functions which means that the responsibilities of Stroud & Swindon Building Society head office will be transferred to Coventry. Whilst it is not possible to set out a detailed timetable at this stage we intend that this will be completed over an 18 month period following the effective date of the merger.

There will be an increase in the number of jobs at Coventry Building Society's head office and this will provide opportunities for members of staff at Stroud & Swindon to work in Coventry.

We will also aim to help Stroud & Swindon staff, who might be affected by the migration of head office functions, to transfer to Coventry Building Society to meet any vacancies that arise during the normal course of business. We will provide support to Stroud & Swindon staff to relocate during this period.

We hope that supporting Stroud & Swindon Building Society staff in this way, together with the time taken to manage the integration, will minimise job losses.

Question 7 Will the community programmes of either Coventry Building Society or Stroud & Swindon Building Society be affected by the merger?

Coventry Building Society is extremely committed to supporting the communities it serves, supporting a wide range of local and national charities and community groups, as well as being actively involved in improving financial literacy amongst young and old. There will be no change to this commitment or dilution of effort in our existing area of operations.

In addition, we will look to continue and enhance local community initiatives in Stroud & Swindon's heartland.

Question 8 Will there be any disruption to the service I receive as a result of this merger?

No, it's business as usual at Coventry Building Society. The service we provide will not be adversely affected in any way. All your accounts, cards, contact numbers, passbooks etc. will continue to work as normal.

More to the point, we intend that the branch networks will be fully integrated and we hope to achieve this by the end of 2011 and sooner if possible, giving the combined membership access to 91 branch and agency outlets across the Midlands and South West.

Question 9 Will the merger affect my Coventry Building Society savings and/or mortgage account?

There will be no change to the interest rates or terms and conditions of any Coventry Building Society savings or mortgage account as a result of the merger.

Question 10 As a member of Stroud & Swindon Building Society as well as Coventry Building Society, how will I be affected?

As a member of Stroud & Swindon Building Society, you will receive detailed information about how the proposed merger will affect you from the board of Stroud & Swindon. You should study this carefully.

Stroud & Swindon members will benefit from an improvement in interest rate on certain savings and mortgage products. It is expected that approximately two thirds of a total of 251,000 savings accounts will see interest rates improved on completion of the merger to match equivalent products offered by Coventry Building Society.

Stroud & Swindon Building Society traditional residential mortgage customers who are currently paying or linked to Stroud & Swindon residential Standard Variable Rate (SVR) of 5.99% will also move to Coventry Building Society's SVR, currently 4.74%.

Apart from this, all other Stroud & Swindon mortgage customers will continue to repay their loans as they do now. There will be no change to Stroud & Swindon's variable Buy-To-Let Base Rate (currently 7.49%) and Stroud & Swindon's Commercial Base Rate (currently 8.34%) as a direct consequence of the merger. As these rates are all variable there is no guarantee as to what they will be in the future.

Full details will be included in the information provided by Stroud & Swindon Building Society to their members.

Question 11 What protection do I have under the Financial Services Compensation Scheme?

The first £50,000 of an individual's savings with separate independent organisations is currently protected under the FSCS.

We have made the appropriate notification to the FSA to take advantage of the arrangements whereby savers who have accounts with Coventry Building Society and Stroud & Swindon Building Society will initially keep a separate FSCS protection limit of £50,000, one for Coventry Building Society savings and one for Stroud & Swindon Building Society savings. This will remain in place until 30 December 2010. Following this, an individual's total Stroud & Swindon Building Society and Coventry Building Society savings will be combined under one protection limit of £50,000.

Question 12 Will I be asked to vote on the merger?

As the merger will result in Stroud & Swindon Building Society being incorporated into Coventry Building Society, the eligible members of Stroud & Swindon Building Society must vote in favour of the merger. A Special General Meeting at which eligible members of Stroud & Swindon Building Society will be able to vote on the merger is expected to be held on 16 June 2010.

The FSA has given its consent to the board of Coventry Building Society approving the merger, rather than asking Coventry Building Society members to vote. In giving its consent, the FSA will have considered, amongst other things, that the merger will not affect the interest of the members of Coventry Building Society to any significant extent.

Coventry Building Society is approximately 7 times larger than Stroud & Swindon Building Society and your board, which has taken independent financial and legal advice, has concluded that the merger will not have a material impact on Coventry Building Society. It has therefore approved the transaction on the basis that the merger is in the interests of Coventry Building Society members.

The merger is expected to be effective on 1 September 2010 and is subject to approval by the FSA.

Question 13 Will there be a payment to members of either Stroud & Swindon Building Society or Coventry Building Society on completion of the merger?

No. The benefit to members of both societies will result from being part of a large, successful, member-focused building society, and one of the UK's strongest financial organisations.

No Coventry Building Society or Stroud & Swindon Building Society director or member of staff will receive any bonus as a result of the merger.

If you have any other questions, please contact us.