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Accounting for dominance and submission: Disciplining building societies with accounting-based regulation, circa 1960.

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Abstract

This paper examines how accounting-based regulation modified the operation of one type of participant in British retail finance. Specifically, the House Purchase and Housing Act, 1959 and Building Societies Act, 1960 gave the Registrar of Friendly Societies new powers of intervention and these were used to discipline building societies revealing inadequate use of their funds. Although only a tiny fraction of existing societies were ultimately sanctioned, they all observed important deviations from specified accounting-based criteria that were generally recognized as financially sound within the industry. Intervention, however, was also motivated by two other factors: the successful lobbying by the Building Society Association to discipline non-members; and attempts by the Registrar to stop property developers from abusing moribund London-based societies. Results provide enough evidence to suggest that other studies' assessment that managers of British retail financial intermediaries disregarded accounting information in executive decisions need to be revised in light of the fact that the accounting control of building societies was supplemented by the disciplinary power granted to state regulators (as represented by the Treasury and the Registrar of Friendly Societies).

Keywords: accounting-based regulation; House Purchase and Housing Act, 1959; Building Societies Act, 1960; Chief Registrar of Friendly Societies; HM Treasury; the Building Societies Association; disciplinary power; reserve ratio; property developers.

1 Introduction

There is ample evidence of critical assessments of participants in the British market for retail deposits. First, these manifested themselves in a number of official documents: the *Macmillan Report* (1931); *Radcliffe Report* (1959); the *National Board for Prices and Incomes' Report on Bank Charges* (1967); the Monopolies Commission ruling on the proposed merger of Lloyds Bank, Barclays Bank and Martin's Bank (1968); and, the *Cruickshank Report* (2000). All criticized clearing banks, and perhaps by implication other financial institutions, including building societies, for a systemic failure to provide adequate venture capital to finance British industry. Furthermore, the more recent of these reports opined that these institutions had inadequate, if not poor, internal control practices. To some extent clearing banks were responsible for the currency of these accusations as they failed to present successfully their case to the authorities (Billings and Capie, 2004). Adequate internal controls are clearly necessary to prevent misappropriations (e.g. Noguchi and Bátiz-Lazo, 2011; Bátiz-Lazo and Billings, 2012). But as recent cases of rouge traders at Barings, Société General and USB have shown, they are also necessary to curb undesirable risk-taking by financial institutions.

Secondly, similar views critical of the lack of sophistication in management accounting in banks and building societies have been expressed in various academic studies (Bátiz-Lazo and Boyns, 2003; Drury, 1994 and 1998; Helliar *et al.* 2002; Innes and Mitchel, 1997; Nigthingale and Poll, 2000; Soin, 2004; Soin *et al.*, 2002). Anecdotal evidence, through an informal survey of chief financial officers of building societies documented in Perks (1977), suggested a very similar situation at these mutually owned, depositary, financial institutions. Hence, with regard to managerial practices within participants of British retail finance, it is not difficult to locate both implicit and explicit accusations of 'backwardness' (Bátiz-Lazo and Wardley, 2007; Billings and Capie, 2004; Booth, 2001; Jeremy, 1998). Given this accumulation of views covering the more and less recent past, most of which suggest poor accounting control, one is left to wonder whether British retail financial intermediaries have always shown a limited use, or even worse, a complete lack of accounting information in executive decisions. Moreover, it is unclear how widespread was the claim by Perks (1997) that accounting controls were not effectively applied by building societies.

Evidence in this study will offer a partial answer to these questions by documenting how accounting information was instrumental for state authorities, namely HM Treasury and the Chief Registrar of Friendly Societies (CRFS), to discipline the behaviour of societies suspected of irregularities.[1] By examining the disciplinary powers of the CRFS we propose that prior studies need to be reviewed because the control of building societies' operations was supplemented by external supervision relaying on accounting-based criteria.

As will be evident below, by 1960 the power and duty of the CRFS had gradually come to expand and cover the entire life of a building society. These included the 'examination of the proposed rules of any society applying for registration' (Sections 9 and 10 of the Building Societies Act, 1874); authorization of any amendment in its rules (Section 18 of the 1874 Act); certification of the termination of a societies by dissolution (Section 7 of the 1894 Act); approval of amalgamation or transfer of engagements (Section 56 of the 1960 Act); and 'the power to cancel registration of a society' (Section 6 of the 1894 Act). Of these powers we focus on those relating to 'accounting-based regulation', that is, the set of codified practices, enshrined into law, through which financial or accounting data provide the underlying criteria for identifying a regulatory space or a set of subjects to be regulated. Chen and Wang (2007), Chen and Yuan (2004) and Lapsley and Llewellyn (1991) are all notable exemplars of systematic studies on accounting-based regulation. This research examines topics such as the effects, costs, issues (i.e. accounting manipulations) and measures in need of improvement. But, with the exception of Miranti (1990), prior studies fail to provide details of how such regulation came to be constructed. Evidence in this study addresses this shortcoming by examining the process through which accounting-based regulation was introduced and implemented through the passing of the House Purchase and Housing Act, 1959 (HPHA59) and Building Societies Act, 1960 (BSA60)[2]; as well as documenting their impact on the operations of the societies.

Although the interaction between state authorities and building societies is the focus of this study, two other actors will also be of interest namely property developers and the Building Societies Association (hereafter 'Association'). The aim here is not only to enhance our understanding of the construction of accounting-based regulation but also to provide support to the view that a group status cannot be assessed independently of other groups in the same policy area (Marsh *et al.,* 2009).

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[1] For a possible interpretation for the disciplinary powers of the state authorities documented in this study, the application of 'disciplinary perspective of accounting represented by Hoskin and Macve (1986; 1988; 1994a; 1994b; 1996; 2000) might be possible. For more recent research in this genre, in particular for the patterns of knowledge expertise embodied in a form of accounting being exercised by those in powerful positions to not only discipline the behavior but also mold the way of thinking, see Hoskin *et al.* (2006).

[2] Reference to BSA60 is often substituted for the reference to the Building Societies Act, 1962 (BSA62) because BSA62 consolidated all relevant legislation between 1874 and 1960.

Property developers are of interest because the return to power of the Conservative government in 1951 saw the removal of controls and fiscal incentives for investment in commercial property as well as other measures to encourage private owner occupation. This together with rising inflation resulted in a fast and sustained increase in property prices (a 'property boom'), particularly of commercial real estate in London as a number of companies relocated their headquarters to the City (Marriott, 1967; Scott, 1996). Real estate had for long associated with wealth in Britain (Rubinstein, 1981). A number of individuals and families thus benefited from the property boom (as fiscal measures foreclose similar opportunities to corporations). In this context, a common theme of the interventions of building societies in the early 1960s was an attempt by the Registry of Friendly Societies (RFS) to stop individuals who were trying to resuscitate moribund societies to misuse them for personal gain in the London housing market.

Also of interest in our story is the role of the industry association of British building societies. 'Self-governing' is an important feature of the not-for-profit sector. This feature captures how as a group, organizations will voluntarily take part and adopt rules and procedures that regulate their own behaviour (Basri and Khalid, 2011; Bátiz-Lazo and Billings, 2012). Understanding how rules of the Association interacted with the working of the corporate governance of individual societies is interesting in itself but also because the Association played a significant role in the design and implementation of specific accounting-based regulation. According to Grant (2000: 2), '[t]he second half of the twentieth century might be regarded as the era of pressure groups in British politics'. Indeed, consultations involve a wide variety of interested groups when a specific policy is formulated for the government to draw out their commitments. However, it does not mean that all groups have equal access to the executive part of the government nor their counter-influences on the government were equal over the policy making. Status depends, among other things, on the extent of the group's goals corresponding to those pursued by the government and the power and sanction that the group can exercise (May and Nugent, 1982: 7; Maloney *et al*., 1994: 33; Grant, 2000: 27-8), Grant (1978) originally proposed the distinction between insider and outsider groups. Insiders 'are regarded as legitimate by government and are consulted on a regular basis' (Grant, 2000: 19) whereas outsiders 'are unable to gain [such] recognition' (Grant, 2000: 19).[3] '[I]n return for privileged access, insider groups

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[3] How best to frame the role of alternative groups and stakeholders in policy formulation is a contested area. In particular, there is both positive support and criticism of Grant's (1978; 2000) distinction between insider and outsider groups. These categories are said to be too broad and in need of refinement to

provide information to government and cooperate in implementation of policy, thus reducing implementation costs' (Marsh *et al.*, 2009: 622). In the examination that follows, it is evident that the Association was a typical insider group for the Treasury and the RFS in discussing the matters concerning the establishment of the accounting-based regulation. But of greater interest is the fact that the Association made sure that regulatory innovations were innocuous to its membership by promoting that accounting-based criteria under HPHA59 and BSA60 matched practices at the largest building societies (all of which but the biggest were its members). This not only legitimized the activities of its members but preserved them from more adverse regulatory changes. Yet the Association was not only effective in securing the *status quo*, but it was also active in supporting the use of accounting-based criteria in the disciplining of non-member societies by the RFS, thus strengthening its position and that of its members in front of state authorities.

Fieldwork is based on the examination of surviving records, including minutes, correspondences and other historical records of individual building societies, the Treasury, the RFS, the Board of Trade and the Association. To assess the validity and reliability of the source materials, a heuristic method of qualitative research, i.e. data triangulation (the use of a variety of data sources for studying the same phenomenon), is adopted to minimize the bias brought about by a single source.

The remainder of this study proceeds as follows: the next section offers a brief history of building societies. It examines the process of the establishment of HPHA59 and BSA60 with an emphasis on the introduction of accounting-based regulation and the extended powers of the RFS. This section also highlights the fact that the interests of the Association and those of the RFS were fundamentally in agreement. They aimed to achieve financial stability in the operations of building societies and maintain the high standard of probity identified with the sector. The third section examines in detail individual cases of intervention by the RFS through the disciplinary powers recognized under BSA60. The final section provides discussion and conclusion.

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distinguish between 'core', 'specialist' and 'peripheral' groups as well as the status that is accorded to these groups by civil servants, rather than the strategies adopted by the group (Maloney *et al.* (1994, p. 30). Binderkrantz (2005) argues it is crucial to distinguish between 'status' and 'strategy' while Marsh and Rhodes (1992) propose a link between the literature on insider/outsider groups and that on policy networks, where a group's status cannot be assessed independently of other groups in the same policy area.

2 The Formation of the Accounting Norm

2.1 Brief Business History of Building Societies, 1770-1960

Building societies are mutual financial organizations owned by long-term depositors and borrowers while specializing in liquidity creation by turning retail deposits into mortgage loans. The first society was formed in Birmingham in 1774 and societies soon began to spread out across the Midlands and the North of England in the second half of the 18th century to enable working and lower-middle class people to purchase or build their own houses. By 1825 there were at least 69 societies (Jeremy, 1998: 299). All the early societies were 'terminating', that is, consisting of a limited number of members and disbanded after their original members had all made house purchases or received the agreed upon value of their shares.[4]

In 1836 the Benefit Building Societies Act gave them legal form by extending the privilege of incorporation upon application, required general meetings of members 'from Time to Time' (caps in original), exempted interest payments from usury laws and required individual societies to draft, certify and submit to the RFS a copy of their rules (which could include details as to how loans were advanced and interest to investors paid). Growth in the number of societies accelerated from the mid-19th century as part of the Victorian thrift movement and following the materialization circa 1846 of 'permanent' societies. By 1895 there were 3,642 individual societies (Jeremy, 1998: 299).

The origins of their industry body date back to the same period. It was established in 1869 as the Building Societies Protection Association. One of the main objectives of the rather small number of societies that came together was to observe and influence the deliberation process of legislation related to building societies in Parliament and maintain, and if possible expand, their privileges, rights and interests (Boléat, 1981: 58). The first test of that aim came soon enough, when this association became involved in the formulation of the Building Societies Act, 1874. Specifically, representatives of the Building Societies Protection Association engaged in discussions with state authorities which resulted in the Act of 1874 limiting the activities of building societies to set up a fund to make advances to members upon security of a freehold, leasehold or copyhold estate (Section 14) and to 'building and owning land for the purposes of conducting their business' (Boléat, 1986: 2). These limits were to be controlled and implemented by

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[4] The last terminating society was wound up in 1980.

the RFS (Sections 4, 10 and 17). The RFS could also veto the content of any society´s rules (Section 10).

The Act of 1874 was the first to define a 'permanent' society as one 'which has not by its rules any such fixed date or specified result, at which it shall terminate' (Section 5). It also was the first to require financial statements to be filed with the RFS a fortnight after the annual general meeting (Section 40) and failing to do so resulted in a fine of £5 (Section 43). This Act stated that societies could not hold funds for trustees of the deceased. The society had to return funds and/or investments of investors who died, after making sure funds returned to the right person should the investor died intestate (Sections 29 and 30). The Act specified that investments of liquid funds were limited to government securities (Section 27).

In 1892 the Liberator Permanent Benefit Building Society collapsed after becoming insolvent.[5] At the time the biggest society in the UK in terms of assets, its directors had long engaged in business other than financing house purchases by individuals. Its demise not only led many depositors and investors to ruin but also led to the introduction of the Building Societies Act, 1894, which was the first to outline the purpose of the societies and to require full accounting disclosure and professional audits (Sections 1, 2 and schedules). It defined an auditor as 'a person who publicly carries on the business of an accountant' (Section 3) and required the auditors to inspect mortgage deeds and certificates of securities (Section 16).

More important in the context of this study, the 1894 Act broadened the power of the Registrar. For instance, the RFS was recognized to prescribe a form of return to be submitted by each society to it in order to report summarized data of the societies' annual accounts, in addition to details of investments, loans, etc. (Section 2 and schedules). Upon the application of ten members, the RFS could order an inspection of the financial records of a society, though even individual members were not allowed to have the right to inspect the documents (Section 4). Also, upon the application of one-fifth of the members, the registrar could order an inspection into the affairs of a society or investigate its affairs with a view to dissolution, and even in certain cases to proceed without an application from members (Section 5). The Act further gave the Chief Registrar ample powers to deal with a society by removing it from the registry, when its investigations proved it insolvent or when the society failed to make a return (Sections 6), though the societies were given an opportunity to appeal.

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5 http://www.thesharegallery.co.uk/1891_Liberator_Building_Society.htm (accessed 17 July 2011).

As in the collapse of the Liberator society in 1892, the ‘Borders case’ in 1937 was followed by the Act of 1939. The ‘Borders case’ was the common name for a lawsuit launched and lost by Mrs Elsy Borders against the Bradford Third Equitable Building Society.[6] She claimed that the society and a property developer had formed a joined venture and in their advertising, misrepresented the quality of the houses in order. The case eventually reached the House of Lords, which ruled against Mrs Borders in 1941. But it was deem that her case pointed to the risks of building societies linking with property developers as well as the hazard of misleading advertisement. As a result, during the process of litigation, legislation was passed in 1939 which restricted the forms of mortgage security that building societies could accept and provided that societies ‘were deemed to warrant the reasonableness of the price of property unless borrowers were specifically informed to the contrary’ (Boléat, 1981: 11).

One further case took place in June 1959, when the State Building Society collapsed as a result of its directors making mortgage advances, without proper security, for bridging finance in take-over bids to a company in which the same directors also held board positions. This episode became known as the ‘Jasper affair’ and led to the expansion of the disclosure requirements in BSA60 (see further Batiz-Lazo, 2006; Bátiz-Lazo and Billings, 2011; Noguchi and Bátiz-Lazo, 2010). In particular, the requirement to present a true and fair view, as the comprehensive and highest regulatory provision for the information to be disclosed in the accounts of building societies, was introduced following the same general requirement of the Companies Act, 1948. Under BSA60 auditors were also required to examine building societies’ system of internal control.

In summary, the above episodes of fraud and scandals, although rare, left a general impression that important regulatory innovations were introduced following the demise of a building society (Drake, 1989: 90). Moreover, that with some minor amendments made in subsequent legislation, the 1894 Act remained the main statute regulating the disclosure of building societies until changes were introduced in 1958 and 1960. According to Boléat (1986: 3), ‘[t]he prudential supervision of the industry came under scrutiny during the 1950s, partly as a result of…dubious practices’ found at some societies as exemplified in the case of the State Building Society. As a result, not only did new legislation require building societies to establish tighter systems of internal control than before but the faculties of the RFS, as the direct supervisory authority, were also strengthened to afford it powers to discipline the behaviour of building societies suspected of irregularities. The discussion now turns to these regulatory innovations

[6] ‘Mrs. Borders Loses Her Appeal’, *The Manchester Guardian*, 10 November 1941, p. 5.

while emphasizing the establishment of accounting-based regulation.

2.2 Achieving Trustee Status for Deposits in Building Societies, 1954-1958

Tory governments of the 1950s introduced a number of policies to encourage private owner occupancy. Those of 1954 left at a disadvantage people who wanted to buy a house built before 1919. In order to address this, the government proposed making advances through building societies. The societies agreed to take on the added risk but in return they asked for the designation of their deposits as trustee investments.[7] Trustee status was important because, as mentioned above, without its guarantee and in the absence of specific testamentary directions, the trustee of an estate was required to disinvest from a building society. But for the societies, designation meant more than an increase in loanable resources.[8] The societies first sought to overturn provisions of the 1874 Act and gain trustee status for investments in their 'shares' and deposits in the mid-1920s (Humphries, 1987: 335). Since then, trustee status was increasingly seen as a potential source of 'competitive advantage' (see Bátiz-Lazo and Billings, 2011).[9] Securing the long sought after goal of trustee status was one of the results of lengthy negotiations between the government and the building societies' industry body (which had been renamed Building Societies Association, hereafter Association, in 1926). Following these negotiations and the advance degree of agreement between government official with representatives of the Association, on 5 November 1958 a new scheme for house purchase was put forward for public consultation. This document specified the conditions through which individual societies could achieve trustee status and the response of building societies to it readily illustrates the distinction between insider and outsider groups proposed by Grant (1978; 2000).

Immediately after the publication of the consultation document, considerable correspondence arrived at the Association, the Treasury and the RFS from a number of societies.[10] On the one hand and in an example of an insider group were the council of the Association and most large societies. These were supportive of the details within the government's proposal. In fact, the Association had already introduced its own regulations for the membership to meet 2.5 percent of minimum reserve and 7.5 percent liquidity ratios before the enactment of HPHA59 (Boléat, 1986: 146). Also, A. Denham, president of the Halifax (traditionally the largest of them all and at the time non-member

[7] The Housing Act 1959 gave trustee status only to deposits in the societies but the Trustee Investments Act 1961 then included 'share' investments.
[8] 'Building Society Deposits Given Trustee Status', *The Times*, 06-Nov-1958, p. 16.
[9] 'Trustee Status for 130 Societies', *The Times*, 19-Jun-1959, p. 19.
[10] FS23/283, a letter from the Assistant Secretary of the Association, N.E. Griggs, to the CRFS dated 18 November 1958.

of the Association), considered that his society could easy achieved the proposed reserve ratio of 2.5 percent and in fact argued that 5 percent would be more appropriate.[11] Indeed, the reserve ratio of leading societies such as the Halifax, Abbey National, Leeds Permanent and Provincial were all exceeding levels of 3 percent at the end of 1957.[12]

On the other hand, the concern of most small societies was how to comply with the proposed reserve conditions because reserve ratio and another related accounting criterion, the liquidity ratio, had dwindled as the demand for private housing expanded during the 1950s (see further Bátiz-Lazo, 2006; Bátiz-Lazo and Billings, 2011). The view of Robert Stoddart, general manager of the Dunfermline, a Scottish society, was representative of that of many other small societies as he insisted that 2.5 percent was too high and subject to change (if prices of government bonds fluctuated).[13] But as an exemplar of an outsider group, Stoddart's and other similar views were disregarded as 'not officially supported by the Scottish [Building Societies'] Association'.[14] This statement clearly illustrates the importance the regulatory authorities attached to the industry body. Any representation by a society lacking such support was ignored or overlooked. Evidence to this emerged in the same official rebuttal to the Dunfermline, as the CRFS noted that 'the conditions [for the purpose of trustee status]…are intended to ensure that so far as is practicable a society is efficiently and prudently managed…the observance of the conditions will go a long way towards establishing financial stability and therefore general security to investors'.[15] The state authority argued for the necessity of a reserve ratio 'to protect trustees and other investors from embarrassment and possible loss of capital'.[16] The letter concluded that 'Mr. Stoddart for obvious reasons, over stresses the point about trustee status being placed at the mercy of stock exchange valuations'.[17]

In deciding who would gain privileged access to policy making process and who would not, the above episode concerning the introduction of reserve conditions for trustee status illustrates that the Treasury and the RFS rate highly the technical information,

[11] FS23/283, the minutes of a discussion with the CRFS held on 25 November 1958.
[12] FS23/283, the data for reserve ratios of leading societies.
[13] FS23/283, memorandum submitted to the CRFS dated on 3 February 1959.
[14] FS23/283, a letter from D. Leigh to R.D. Cramond at the Department of Health for Scotland dated 18 February 1959.
[15] FS23/283, a letter from D. Leigh to R.D. Cramond at the Department of Health for Scotland dated 18 February 1959.
[16] FS23/283, a letter from D. Leigh to R.D. Cramond at the Department of Health for Scotland dated 18 February 1959.
[17] FS23/283, a letter from D. Leigh to R.D. Cramond at the Department of Health for Scotland dated 18 February 1959.

political sophistication and organizational coherence displayed by the Association. Similar behaviour has been explored by Maloney *et al.* (1994: 20), who proposes that one of the fundamental reasons why state authorities recognize specific groups as insider ones is that such 'interest groups supply the distinct commodity which will "meet a policy maker's specific demand"'. Browne (1991: 500), Truman (1951: 334) and Maloney *et al.* (1994: 23) commonly emphasize various organizational resources that an interest group can wield in policy making process, which include: coherence, strategic location, economic significance, size (membership), knowledge (not only technical but also political) and implementation power. It is evident that in dealing with building societies the RFS and the Treasury valued these features. Accordingly, the RFS defended the proposed introduction of a reserve requirement grounding its argument on the analysis of data summarized in Table 1 below.

[Insert Table 1 around here]

The core argument of the RFS analysis evolved around the six criteria offered in the table above and summarized as follows: the '[p]ercentage of societies which [will] qualify in all respects of the total assets of all building societies is 88.08%'.[18] Sir Cecil Crabbe, the then sitting CRFS, justified the introduction of his preferred criteria for individual societies to qualify for trustee status using the percentage of the sum total assets rather than the number of societies that could potentially benefit. Evidence that the CRFS was more concerned with the size of the market rather than the number of societies that would qualify is found when comparing exclusion based on 'unsatisfactory reserves' (criterion 5) and 'total assets less than 0.5 million' (criterion 3). Criterion 5 ('Unsatisfactory reserves') offered the maximum exclusion rate in terms of size among the six proposed exclusion criteria.[19] As shown in Table 1, by applying this criterion 4.82% of the sum of total assets of building societies would potentially fail to be granted trustee status but only 17 societies would fail to qualify. By applying Criterion 3 ('0.5 million pounds in total assets') the RFS expected that only 2.83% of the sum of total assets was excluded but more than a half the number of societies would not qualify (63.2%, 476 of 753 societies).

The passing of the HPHA59 enacted both criteria by establishing a minimum reserve ratio and a threshold of half a million pounds in total assets for individual societies to

[18] FS23/283, Analysis of building societies – qualification for trustee status.
[19] Other conditions for qualification included: (1) not being a terminating society, (2) not being an unincorporated society (3) having total assets of more than £0.5 million, (4) having liquid assets of more than 7.5 per cent of total assets.

qualify as trustee.[20] Given the information on Table 1 above, this could suggest that there was an attempt to preclude a large number of small-sized societies (i.e. those with less than half a million pound in total assets) from achieving trustee status and therefore, placing them at a competitive disadvantage. Indeed, even after some dispensations, of the 732 registered societies in December 1959, there were 218 societies (including four non-members of the Association) whose assets had been designated as one in which trustees could deposit trust funds. The sum of total assets of these 218 societies was estimated at £2,994,000,000, equivalent to 94% of the assets of all registered societies at the end of 1960 (Registry of Friendly Societies, 1961: 6).

Here it is important to note that the introduction of a minimum net reserve ratio (of 2.5 percent of net assets at the end of 1960) and a minimum liquidity requirement (of 7.5 percent of total assets at the end of 1960) through the HPHA59 marked the first time any British financial institution was subject to a statutory requirement for capital adequacy.

2.3 Strengthening Powers of Supervision, circa 1955-1965

As noted above, the Act of 1894 was the first to give the RFS powers to investigate potential deviant activities by directors of individual societies and as a result intervene into the operations of these societies. During the 1950s, these powers were discharged under Section 11 of the Prevention of Fraud (Investments) Act, 1939 (PFA39), which was superseded in 1958 by a new Act with the same title and section (namely Prevention of Fraud (Investments) Act, 1958 or PFA58).[21] Section 11 of PFA58 recognized the power of the CRFS to issue an order prohibiting the targeted society from inviting people to make investments. It was 'only to be invoked when there was no other means of protecting potential investors from unreasonable risk.'[22]

In this relation, Section 12 of PFA58 provided RFS staff with powers to investigate the affairs of a society that was suspected of irregularities. The purpose of these probes was to establish possible grounds for issuing an order under Section 11 of PFA58. Some 50 investigations were completed between 1939 and 1959, which resulted in orders being imposed on 17 societies. Without exception all of such cases were non-members of the Association and almost all were small-sized societies (i.e. with less than £0.5 million in

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20 Details of which were published in the Building Societies (Accounts) Regulations 1960 (S.I. 1960 No. 1826) and the Building Societies (Annual Return and Auditors' Report) Regulations 1960 (S.I. 1960 No. 1827).

21 According to Robb (1997: 34-36), PFA58 was virtually a re-enactment of the 1939 Act — the only addition was the power given to the Board of Trade to appoint an inspector to examine the administration of a unit trust scheme.

22 FS23/287, the CRFS's letter to E. H. Boothroyd at the Treasury dated 16 March 1959.

total assets). Table 2 and 3 below show it was very difficult to revoke an order once it was issued under Section 11 of PFA39 or Section 11 of PFA58. Only three were successfully rescinded by 1959.

[Insert Table 2 and Table 3 around here]

Table 2 summarizes orders in force under Section 11 of PFA39 and Table 3 those for Section 11 of PFA58 as of December 1965. As is evident in these tables, once an order had been issued staff at the RFS had to oversee the process of termination and winding up for many years. Indeed, between 1940 and 1959 it took an average of 14.6 years (9.9 years st. dev.) for a society under an order to be either dissolved (11 societies or 69 percent) or merged by transferring engagements (6 societies or 35 percent). This suggests that the main effect of an order was to stop the society from growing and, as it will be evident below in the cases of the Eagle and of the Lloyds Permanent, replace directors with a new management team. As a depositary institution with a lengthy duration of the asset portfolio, a society could not simply vanish unless some sort of malfeasance made it insolvent. The large number that dissolved suggest that intervention chiefly averted a run on the society and that most were in need of an orderly winding down because a) depositors and investors were paid back as mortgagors met their obligations and b) the quality of their assets was unattractive to other societies.

Only one society in Table 2 (Royal Mutual Benefit) and three societies in Table 3 (Alliance Perpetual, Lloyds Permanent, and State) had assets above half a million pounds, supporting the view that mainly small-sized societies were the main target of interventions. The majority of the societies in Table 2 and Table 3 had their head office in London (12 or 71 percent) and all but five (namely Alliance Perpetual, President Permanent, Preston & Blackburn, Royal Mutual Benefit and Second St James's) had been established a few years before the passing of the relevant legislation.

According to the annual report of the CRFS for 1958, 14 investigations were completed between 1956 and 1959. The reasons for these investigations fell into one of the following three categories: '(a) the unsatisfactory financial position of the society as disclosed by its accounts, (b) the lending of the society's funds on doubtful security, and (c) the use of the society's funds for financing companies with which the Society's directors [were] connected'.[23] Of the 14 cases, four resulted in orders issued under

[23] FS23/287, discussion at the House of Commons dated 6 March 1959. As documented below, the CRFS issued an order under section 11 of PFA58 prohibiting the Lloyds Permanent from inviting further subscriptions. The principal grounds for the decision included: (1) the unsatisfactory reserve position in

Section 11 of PFA39 or PFA58. In other 10 cases, the RFS did not find it expedient to make an order because either remedial action was taken by the society or directors gave sufficient reassurances that appropriate action would be undertaken.

However, any society under investigation could still attract deposits, investments and issue mortgage loans while the public was ignorant of conversations between its directors and the RFS. Even in the case of an order prohibiting advertisement being issued, the building society could continue to accept term investments and on demand deposits. Investors often continued to contribute, because the fact that an order had been issued was not made public. This situation was unsatisfactory for members of the Association, who strongly advocated its end through a revision of building societies regulation. Representatives of the Association then lobbied the CRFS so that any invitation by a society to invest funds should be prohibited if any of the following conditions applied:

> (a) the reserves of the society are inadequate or it is technically insolvent,
>
> (b) the liquid funds of the society are inadequate,
>
> (c) the society receives any consideration for making advances, and
>
> (d) the society engages in undesirable activities (e.g. the making of heavy charges on the redemption of a mortgage). (FS23/287, the Association's memorandum dated 2 May 1958)

This representation by the Association was also motivated by their perception that a large number of small-sized, non-Association-member societies on the register were 'to all intents and purposes moribund'.[24] The problem was that, in their view, within the latter there were an increasing number of cases in which 'moribund' small societies had been 'taken over by a new management and revived with the object amongst others of using their date of establishment – often in the 19th century – as a sign of their worth'.[25] As revealed in the quote below, the Association was uneasy with the speculative nature of the activities of the newly formed and revived non-member societies:

> [the Association] is seriously concerned at the recent formation of societies which have been established primarily to further the activities of building or property companies or professional firms and not in order to serve public needs. These new societies automatically acquire the goodwill attached by the uncritical public to the words 'Building Society', which are almost

relation to the total assets of the society and (2) inadequacy of security for the advances in respect of the 'Oak Farm' properties, resulting in a position of potential loss which would jeopardize the society's solvency.

24 FS23/287, A memorandum prepared by the CRFS dated 14 July 1958.

25 FS23/287, A memorandum prepared by the CRFS dated 14 July 1958, see also FS23/283, a letter from P. Endbinder to the CRFS dated 17 February 1959.

> automatically taken to imply absolute safety and a high standard of probity. (FS23/287, an additional memorandum by the Association dated 13 June 1958)[26]

The Association not only proposed to stipulate the conditions for the advertisement but also suggested that '[t]he Registrar should have power (subject to the approval of the Treasury) to prohibit the acceptance by a society of any investment from the public if he considers it expedient'.[27] The Association added that 'no society should be allowed to seek money from the public until it can…show that the affairs of the society have been prudently conducted and that it has achieved financial stability'.[28]

The Registrar seems to have shared the concerns of the Association. This is evidenced in his own memorandum to the Treasury, in which he stated that:

> the undoubted goodwill that attaches to the name 'building society' [is misused], to obtain capital (which in view of the restrictions on borrowing it might be difficult to obtain otherwise) to be employed in lending out on security of often very doubtful character and at a high rate of interest or in furtherance of the founders' own business. (FS23/287, the Registrar's memorandum dated 14 July 1958)[29]

The CRFS thus proposed to amend PFA58 'so that the order which the Registrar is empowered to make would prohibit not [only] the making of invitations but [also] the acceptance of any monies by way of loan or investment'.[30] He also requested to give his office the power to petition for the compulsory winding up of a society directly rather than through the courts.[31]

Once again the RFS and the Association made clear their agreement on the issue when Treasury officials published for consultation what was to become BSA60. The Association supported the CRFS's proposal on the grounds that such power would enable him 'to deal effectively with a society which, although not contravening the law, is not carrying out the normal functions of a building society but is using the provisions

[26] The Treasury regarded the purpose of the Association's request as 'to control the attraction of public savings to the less reputable societies' (FS23/287, the Registrar□s memorandum dated 14 July 1958).

[27] FS23/287, the Association's memorandum dated 13 June 1958.

[28] FS23/287, the Association's memorandum dated 13 June 1958.

[29] It was also argued by RFS staff that '[i]t has always seemed to…be wholly objectionable that a society should be able to accept fresh capital notwithstanding the existence of an order' (FS23/287, a memorandum prepared by D. Leigh dated 13 June 1958).

[30] FS23/287, the Registrar's memorandum dated 14 July 1958.

[31] FS23/288, the minutes of a meeting held between the Registrar and the representatives of the Association on 27 October 1959. The Registrar assumed that '[s]ocieties which are subject to an order…may act the detriment of investors for example by continuing to make advances out of monies in their possession in preference to making repayments of shares and deposits in respect of which notices of withdrawal have been given' (FS23/289, the Registrar's proposal for amending legislation undated, circa January 1960).

of the Acts and the prestige attaching to the words "Building Society" to mislead the public into investing in a speculative enterprise'.[32] In its representations to the Treasury, the Association added:

> The fact that these proposals, which considerably tighten the Government's control over the Building Societies, are acceptable to the Building Societies Association, reflects the desire of the reputable societies, most of which belong to the Association, to see a check on the malpractices of the few disreputable ones, which do not. (FS23/289, a memorandum prepared by E. W. Maude at the Treasury dated 8 January 1960)[33]

The passing of BSA60 saw the incorporation of the desires of the Association and the RFS. It moved away from PFA58 and gave the RFS new powers through the possibility of introducing orders to bar advertisements and limit the acceptance of new investments (detailed in Sections 6 and 7, later Sections 48 and 51 of BSA62). In particular, issuing an order under Section 6 (2) of BSA60 (Section 48 of BSA62) would prohibit the most important activity, namely the acceptance of new investments, and thus, could be fatal, as it would severely restrict the operations of the targeted society.[34] Table 4 and Table 5 below summarize all societies subject to intervention under Sections 6 and 7 of BSA60 and Sections 48 and 51 of BSA62 (called 'direction' in the latter case, as distinguished from 'order' in the former) in the five years subsequent to the passing of BSA60.

[Insert Table 4 and 5 around here]

Between 1960 and 1965 orders and directions were issued to 12 societies as listed above. Again these were a small fraction of 726 societies in existence at the end of 1960 (701 permanent and 25 terminating societies).[35] As was the case of interventions under the Prevention of Fraud Act, the process of termination and winding up took many years with a slightly lower average of 12.7 years (7.4 years st. dev.). Notably, two societies were dissolved almost immediately following intervention (Whythensawe and Vanguard). These two plus five others resulted in 58 percent of societies terminated through dissolution as opposed to five or 42 percent merged. Indeed, for all the 29 societies intervened between 1939 and 1965, 18 (62 percent) dissolved and 11 (38

[32] FS23/288, the minutes of a meeting held between the Registrar and the representatives of the Association on 27 October 1959.

[33] The CRFS also indicated that: '[i]n principle we [the Association and the CRFS] are at one though differing in a number of details' (FS23/287, the CRFS's letter addressed to K. Whally at the Treasury dated 14 July 1958).

[34] In fact, the issuing of an order under section 6 (2) of BSA60 was generally regarded as 'the drastic step' within the processes of disciplining the behaviour of the societies (FS23/287, a note prepared by E. W. Maude at the Treasury for the Economic Secretary dated 7 April 1959). See also Boléat (1986: 152).

[35] The report of the Chief Registrar of Friendly Societies for the year 1960, part 5 building societies, p. 2.

percent) merged.[36]

Table 4 and Table 5 also show that intervention continued to concentrate on areas of high population growth and concentration of urban dwellings, namely London with 9 societies (75 percent); and to a lesser extent Manchester with 3 societies (25 percent). Of all societies intervened between 1939 and 1965, 21 (72 percent) had their head office in London. Not one of the societies listed in Table 4 and Table 5 was a member of the Association. Only two societies (County of London Permanent and Official and General) claimed to have been established for many years. Only four societies (Eagle, Official and General, Lloyd Permanent and Mancunian) had total assets above half a million pounds,[37] that is, the list above mostly comprises small or very small organizations (with total assets averaging £693.5 thousand and 1.1 million st. dev.). Only two societies had its order revoked, namely the Lloyds Permanent in 1963 and the London and Midland in 1968. All other orders were still in effect at the end of 1965 and mostly remained to the termination of the society as a going concern. Hence issuing of the orders prohibiting important activities such as the acceptance of investments appears to have been not only an instrument to discipline specific societies but also, a warning to the broader constituency of non-members of the Association to abstain from engaging in undesirable activities.

2.4 Limiting Deposits from Real Estate Developers

It is worth noting here another important feature of accounting-based regulation introduced in BSA60, namely the limitation on the annual amount of special advances.[38] Defined as loans that a building society could make to bodies corporate, BSA60 limit them to 10 percent of a society's total advances made during the year. This feature was important because, first, it enshrined in law the purpose of the societies to finance the purchase of dwellings by individual owner-occupiers. Second, once again the Association was of one mind with proposal made by the Treasury and the CRFS.

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36 Note that although relating to a small fraction of the societies, this evidence questions the perceived wisdom (e.g. Barnes, 1985: 78, Barnes and Dodds, 1983) that it was common practice within the building society sector that those in financial distress amalgamated with larger-sized, geographically close and financially sound societies through arrangements and recommendations made by the CRFS and/or the Association. Ultimately, the validity of either view is open to future empirical investigation.

37 At the time of intervention the total assets of the Eagle were £1.024 million; £0.556 million for Official and Geneal; £3.839 millio for the Lloyds Permanent and £1.054 million for the Mancunian.

38 The demise of the State Building Society caused the Treasury and the CRFS to regard the development of 'societies…making a large proportion of their advances to companies, either on commercial properties or on large estates' as undesirable 'not only because such properties tend to fluctuate in value and so do not represent such a sound security, but also…it can easily lead to the wide scale abuse of the society's funds by an unscrupulous management' (FS23/289, a memorandum prepared within the Treasury dated around January 1960).

Evidence of this emerged in correspondence from Association that stated that:

> The Council would favour legislation which would restrict the total amount of advances made during any one financial year on all properties other than private dwelling units for owner-occupation to such percentage of the total amount advanced during that year as the Registrar may, with the approval of the Treasury, from time to time prescribe…The Council would regard 10 per cent. as the appropriate percentage to be prescribed at the present time (FS23/288, a letter from the Secretary of the Association, C. G. Garratt-Holden, to R. E. Grindle dated 16 October 1959).[39]

The Association also suggested modifying the annual accounts of building societies.[40] These were submitted annually by each individual society to the RFS as part of the contents Form A. R. 11, which contained more analytical information than that recorded in normal annual accounts.[41] Through the analysis of the information available from A.R. 11, staff at the RFS could understand the quality of operations and the substance of financial positions of each society and in this sense the form was the main diagnostic instrument to monitor their financial performance (Boléat, 1986: 152). In revising Form A.R. 11 for BSA60, the RFS sought 'to give an indication of any risk arising from the policy adopted by the directors of a society…[and]…to show advances which are outside the category of those regarded as normal for building societies'.[42] The review was adopted as Schedule No.2 of A.R. 11, for which *Accountancy* reported that:

> Schedule No. 2, of which Section A requires that 'Special advances' made during the year to be summarised so as to show the total (analysed by amount) for persons other than bodies corporate and the total for bodies corporate. Sections B and C of the schedule requires lists with extensive details of the individual items making up these totals. The auditors are not

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[39] The most influential non-Association member society, the Halifax, also recognized the need for some limitations to be put on advances made during a particular year on certain categories other than owner-occupiers. They suggested that '[a]t least 80% of advances in any one year to be in respect of dwellinghouses or parts of dwellinghouses' and that '[t]he remaining 20% will have to cover advances in respect of the non-occupier purposes' (FS23/288, the Halifax's letter addressed to the Registrar dated around November 1959).

[40] FS23/287, a letter from the Secretary of the Association, C. G. Garratt-Holden, to R. E. Grindle dated 16 October 1959.

[41] Form A.R.11 encompassed: general information (name of the society, registered office, date of incorporation, total membership at year end, name and address of the directors); a balance sheet (using headings for capital and liabilities: shares, H.M. Government advances, other deposits and loans; and for assets: mortgages and investments); revenue and appropriation account; mortgage losses account; other provision account; general reserve account; special schedules (providing statistical information on mortgages, investments, special advances, etc.). Also several schedules detailing specific accounts were attached. Each item was classified according to years, types, amounts and other particulars including market values.

[42] T233/1652, the Registrar's draft form dated around October 1959. See also FS23/289, the Registrar's further proposal for amending legislation dated around January 1960.

> required to deal with Sections B and C but Section A falls within the matters to be covered by their report on the annual return. (*Accountancy* 71:808, December 1960: 709)

In summary, the agreement between the overseer and the subjects of regulation played a significant part in shaping the accounting norms established through BSA60. More specifically, regarding the introduction of the extended power of the CRFS recognized under BSA60, the Association expressed the view that '[t]he responsible Building Societies are quite prepared to see the Registrar given these powers'.[43] The case studies that follow were all of those for which there were surviving records available for our own inspection. They document in detail how the new power of the CRFS played a pivotal role to regulate and discipline the conduct of 'disreputable' societies. These interventions were normally triggered by low levels of the reserve ratio as a sign of potential financial irregularities.

3 Disciplining Individual Societies

3.1 Lloyds Permanent Building Society

The investigation into the affairs of Lloyds Permanent began in April 1960, when the CRFS issued an order under Section 11 of PFA58 forbidding the society or anyone on its behalf from inviting subscriptions to its capital.[44] According to the sitting CRFS, Sir Cecil Crabbe, 'the directors of this society had found a way around the restrictive provisions relating to building societies whilst at the same time continuing to take advantage of the "building society" appeal to the general public'[45] by inviting investments utilizing the disguise of a private finance company called 'Freehold Land Finance Company Limited'.

Deviant behaviour in four accounting-based criteria helped staff at the RFS to identify the Lloyds Permanent as an object of potential concern, namely.[46]

(1) the rapid expansion of asset size (from zero in 1954 to about £5 million in 1959),

(2) the excessive amount of advertising expenses (over £62,000 by the end of 1959 or nearly a third of its total management expenses),

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[43] FS23/289, a memorandum prepared within the Treasury dated around January 1960.
[44] T326/17, CRFS letter addressed to E. W. Maude at the Treasury dated 24 October 1960.
[45] T326/17, the CRFS's letter addressed to E. W. Maude at the Treasury dated 2 November 1960.
[46] T326/17, the interim report of the inspector appointed to investigate the affairs of Lloyds Permanent Building Society dated 17 February 1961.

(3) considerably high rates of interest paid to shareholders, and

(4) high interest rates charged to borrowers to cover item 3 above (ranging up to 8.5 percent per annum for owner-occupiers and up to 10 percent for builders).

Such information was obtainable from the contents of Form A.R. 11 submitted by the society. Items 1, 3 and 4 are perhaps self-explanatory in the context of raising suspicion to any one society. Item 2 was of interested because, as noted above, HPHA59 adopted the reserve ratio as one of the conditions for trustee status. At the time of its passing, the CRFS had recognized how management should improve financial figures in the annual accounts by suggesting, as examples of the methods available to achieve trustee status, a 'consolidation of the financial positions' by retarding the rate of growth and an 'economy in administration' by reducing expenditures on advertisement.[47]

Between April and October 1960, the Lloyds Permanent received withdrawal notices for shares totalling £982,227; the repayments totalled £612,944, leaving £369,283 still to be repaid. Despite of the prohibition under Section 11 of PFA58, the society continued to receive substantial amounts of new investments as these were channelled through the private finance company. Crabbe described the conduct of Lloyds Permanent as a 'ponzi scheme' where 'current investments are being used to repay prior applications for withdrawals and the new investments will be subject to a long delay, which would not be anticipated from reading the brochure, if application for withdrawal is made'.[48]

A notice under Section 8 of BSA60 was issued by the CRFS on 17 November 1960.[49] The purpose of which was to gather information that would warrant issuing an order under Section 6 (2) of BSA60, to forbid the acceptance of any share or loan money by the society.[50] Besides raising concerns regarding new investments and repayments, the notice clearly pointed to the '[l]ow ratio of the reserves to the total assets of the society'.[51] Indeed, according to estimates made by the Registrar, the sum total of general reserves at the end of 1960 for all societies was equivalent to five percent of

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47 FS23/283, a memorandum prepared with the Registrar on the reserve ratio as one of the conditions for trustee status.

48 T326/17, the CRFS's letter addressed to E. W. Maude at the Treasury dated 2 November 1960.

49 Section 8 (1) provided that '[t]he Chief Registrar may at any time serve a notice on a building society, or any person who has in his possession or under his control any books, accounts, deeds or other documents relating to the business of the building society, requiring the building society or other person to produce to the Chief Registrar such of them as he considers necessary for the exercise of the powers which he has under the two last foregoing sections'.

50 T326/17, CRFS letter addressed to E. W. Maude at the Treasury dated 24 October 1960.

51 T326/17, Notice given to the Lloyds Permanent Building Society by the CRFS dated 17 November 1960.

mortgage assets.[52] Whereas the total reserves (including a 'Mortgage Reserve' of £10,000) at the Lloyds Permanent, as shown in the audited balance sheet at 31 December 1960, only amounted to £21,370 or 0.65 percent of mortgage assets.[53] As explained above, HPHA59 introduced a statutory requirement for reserves as one of the conditions for trustee status. This was to be awarded to societies regarded as financially sound. These measures initially did not aim to penalize disreputable societies but to give a preferential treatment to those that satisfied the conditions. The case of Lloyds Permanent, however, suggests that the RFS began utilizing accounting-based criteria set in HPHA59 as a benchmark to exercise its new powers to discipline adverse behaviour.

An order under Section 6 (2) of BSA60 was in fact issued on December 1960. The CRFS then appointed Dennis Leigh, then Executive Registrar at the RFS, as inspector to oversee whether the conditions of different orders and notices were met as well as to seek a way of reconstructing the society's operation. Leigh actually provided guidance for business reform through regular interviews with the directors. He also pressed to hold a special shareholders' meeting while expecting it to result in a merger with another (probably larger and more liquid) society.[54]

A new management team was put in place in February 1960 and led by Ernest Partridge, CBE. At the time an M.P. (Cons) for Battersea South (1951-64) and with industrial experience, Partridge disregarded Leigh's suggestion for considering a transfer of engagements to a larger society.[55] Instead he set to the task of improving the system of internal control because, in his view, one of the main factors affecting the low reserve ratio was the negligent administration of loans in arrears. Indeed, at the end of 1960, of the 1,181 mortgages outstanding, repayments were in arrear in no less than 223 (19 percent) cases, of which 150 were more than two months overdue.[56] Partridge's complete overhaul of the mortgage department reduced the ratio of accounts with more

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[52] T326/17, the interim report of the inspector appointed to investigate the affairs of Lloyds Permanent Building Society dated 17 February 1961.

[53] T326/17, the interim report of the inspector appointed to investigate the affairs of Lloyds Permanent Building Society dated 17 February 1961.

[54] See for instance, 'Special Meeting being called', *The Times* dated 2 March 1961, when a special meeting was in fact called without the need for the CRFS to exercise its powers. Note that a new board was elected in February, though the AGM was adjourned from April until July.

[55] T326/17, the final report of the inspector appointed to investigate the affairs of Lloyds Permanent Building Society dated 18 October 1961.

[56] In his report Leigh had indicated that '[t]here is little doubt that many of the arrears cases would not have arisen if prompt action had been taken to remind borrowers of their obligations' (T326/17, the interim report of the inspector appointed to investigate the affairs of Lloyds Permanent Building Society dated 17 February 1961). The Lloyds Permanent's auditors, Calder-Marshall, Ibotson & Bound, also pointed out that 'the Society did not maintain a satisfactory system of control over its transactions and records', which led them to conclude that 'it failed to maintain a system of control and inspection of its books of account' (T326/17, the report of the auditors dated 2 June 1961).

than one month in arrear from 13 percent in August 1961 to 9 percent in May 1962.[57] The reserve ratio also increased rapidly, reaching £86,675 or 3 percent of mortgage assets by May 1962.

Partridge aimed to rebuild the society and achieve trustee status.[58] For that the society had to be free of regulatory intervention. The CRFS was, however, concerned with Partridge's scarce experience managing a building society and supported Leigh's idea of a transfer of engagements.[59] As a result, Crabbe disregarded Partridge's initial claim that improvements in key accounting data were sufficient to revoke the orders.[60] About a year later, however, Partridge's continuing efforts paid off. In April 1963, Crabbe recognized that the system of administration had been overhauled and effective internal control set up. This together with a rise in real estate prices placed the society in sounder financial position.[61] Crabbe then requested the Treasury revoke the two orders made on Lloyds Permanent.

This was the first case in which the CRFS rescinded an order made under BSA60 against a building society.[62] However, in spite of the effort by the new management team and the revocation of the orders, the lifting of restrictions saw excessive demands for withdrawals of sight and term deposits. The society dismantled by transferring its engagements to the Westbourne Park in January 1965.

3.2 Mancunian Building Society

This was another case marked by a conflict of interest between, on the one hand, the prudential management of the society and, on the other hand, directors' activities in real estate sales and development. As in the case of the Lloyds Permanent, this society expanded rapidly in the years that followed its incorporation in March 1956. This was partly due to a high demand for mortgages. But growth also characterized by high levels of spending in advertising, payment of investment rates above the industry average and the suspicion of servicing borrowers rejected elsewhere (while asking for repayments at above average rates).[63] These deviant symptoms could not escape from the attention of the CRFS.

Soon after A. E. Brook was appointed as inspector, under Section 11 (3) of PFA58, he

[57] T326/17, a memorandum prepared by E. Partridge dated 7 May 1962.
[58] T326/17, A notice to the Economic Secretary by J. Macpherson at the Treasury dated 23 February 1961.
[59] T326/17, the CRFS's letter addressed to J. Macpherson at the Treasury dated 23 May 1962.
[60] T326/17, the CRFS's letter addressed to Partridge dated 5 June 1962.
[61] T326/227, A letter from Cecil Crabbe to J.I. Mck. Rhodes at the Treasury dated 1st April 1963.
[62] *The Times*, 19 April 1963, p. 17.
[63] T233/2269, the CRFS's letter addressed to E.W. Maude at the Treasury dated 24 October 1960.

discovered evidence of advances to real estate companies where B. Green, the society's executive director, and his wife, another director, were directors and large shareholders.[64] Not only was the dominance by one man substantiated but Brook pointed to the possibility of property being sold by companies, under the control of the Greens, at a mark up while the higher price was afforded by individuals receiving mortgages by the Mancunian.[65] The society was also willing to accept very old property (erected before 1919) as security but without employing criteria set by or funds made available as a result of HPHA59.

In his communication with the Treasury, the CRFS noted that accumulated reserves were not of concern nor placed the society at imminent risk but their level was still low when considering that the Mancunian was paying higher than average interest rates to investors.[66] The CRFS questioned not only the actual level of the reserve ratio but also the way reserves were being accumulated. Treasury officials agreed that Crabbe had enough evidence to justify making a direction under Section 7 of BSA60, prohibiting the society to continue advertising. The direction was issued on February 1961 and never revoked. However, new funds were attracted through personal introduction of new members by the existing ones. Therefore, even with the prohibition of advertisement, the society did not immediately fell into a crisis, but growth of loanable resources was, of course, strictly limited. This together with high variability of interest rates and increasing difficulties to retain and attract new staff gradually led the directors to recommend the transfer of engagements to the Cheshire. As a result, the Mancunian was finally dismantled in July 1979.[67]

3.3 Eagle and Law Mutual Building Societies

The investigation into the business of the Eagle was again motivated by concerns about inappropriate links between the society and a property developer;[68] as well as offerings of above market rates of interest and an 'unhealthy rate of growth'[69]. Prompted by a large press and postal publicity campaign (paid for to a large extent by the chairman, S. A. Halsall), authorities soon discovered that the society was making a very large

[64] T233/2269, the report of the inspector appointed to investigate the affairs of Mancunian Building Society dated 6 October 1960.
[65] Brook's report also stated: 'there seems little doubt that the society's main raison d'être is to facilitate the business of Green's estate agencies and property companies' (T233/2269, the report of the inspector appointed to investigate the affairs of Mancunian Building Society dated 6 October 1960).
[66] T233/2269, the CRFS's letter addressed to E. W. Maude at the Treasury dated 24 October 1960.
[67] FS 14/1489, annual report for the year of 1978 dated 25 March 1979.
[68] T326/849, the CRFS's letter addressed to E. W. Maude at the Treasury dated 24 January 1961.
[69] T326/849, a report of an investigation made as a result of a notice served under the provisions of Section 11 (3) of the Prevention of Fraud (Investments) Act, 1958 dated 11 January 1961.

number of loans to companies planning to develop hotels and reconvert Victorian houses into flats, but companies which Halsall controlled or was a director.[70]

This was not only a case of a society lending to 'speculative builders' or the poor diversification of the loan portfolio (as 'its mortgages are too large, too few and concentrated in too few hands'),[71] but also one marked by poor collateral (i.e. grossly overestimating the value of properties) and exorbitant administrative expenses. The society was thus considered at risk by RFS staff. The considerably small amount of reserves compared with total assets raised significant concerns about its financial position.[72] 'As in other mushroom societies the [Eagle] has been unable to accumulate adequate reserves and at 31st December 1959 its total reserves amounted to less than 1/2 per cent of its total assets.'[73]

The CRFS informed of his intention to make a direction to the society under Section 7 (1) of BSA60 based on the above considerations. He highlighted the society's '[i]nadequate reserve ratio', '[v]irtual control of the society by the Chairman, who is associated with companies to which large advances have been made' and '[d]oubtful adequacy of security in respect of certain advances'.[74] The Eagle promptly appealed stating they were in the process of negotiating a merger with the directors of Law Mutual and, as a result, replacing Eagle's board with the former.[75] The CRFS, however, disregarded the communication and issued a direction on March 23, 1961.

Shortly after, and as planned, the directors of the Law Mutual took over control of the Eagle. Formally, the two societies existed as separate entities but in fact they were run as one. Little distinction was made between them for management purposes and expenses were adjusted not so much in relation to who incurred them as to who could best bear them.

The situation worsened for the amalgamated societies in December 1963. The newly appointed CRFS, S. D. Musson, wrote to the Treasury asking for permission to issue an

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[70] T326/849, a note prepared by A. Guthrie at the Treasury dated 14 February 1961.
[71] T326/849, a note prepared by A. Guthrie at the Treasury dated 14 February 1961.
[72] T326/849, the CRFS's letter addressed to E. W. Maude at the Treasury dated 24 January 1961.
[73] T326/849, a report of an investigation made as a result of a notice served under the provisions of Section 11 (3) of the Prevention of Fraud (Investments) Act, 1958 dated 11 January 1961. Within this source the term 'mushroom societies' appears as a generic to describe those societies being run while pursuing personal interests of directors rather than serving the investing community. There is no mention within this source nor any surviving record listing all the actual or potential 'mushroom societies'. Evidence suggests that a potential intervention by the RFS was decided on a case by case basis while building on information from the A.R. 11 and advertisements of unusually high rates paid to investments.
[74] T326/849, the CRFS's letter addressed to E. W. Maude at the Treasury dated 24 January 1961.
[75] T326/849, the CRFS's letter addressed to E. W. Maude dated 2 March 1961.

order for the Law Mutual under Section 48 of BSA62 (previously Section 6 of BSA60) 'to stop the society from taking further investments'.[76] Musson considered that there were: (1) insufficient reserves on mortgage assets and (2) insufficient liquid funds. In addition, the RFS reckoned that '[s]ince 1960 not less than one-seventh and perhaps as much as one half of all the society's advances have been made either to finance sales of properties by certain companies whose directors are directly or indirectly associated with the directors of the society'.[77]

The Treasury confirmed Musson's request while suggesting to apply Section 51 (equivalent to Section 7 of BSA60) rather than Section 48. Before prohibiting the acceptance of investments, Treasury officials wanted reassurance that 'the 39 properties valued by the District Valuer should have been a true sample of the Society's 182 mortgaged properties, rather than merely a selection of the bad causes'.[78] It is not clear from the record why RFS failed to purse a larger sample, but Musson complied with the recommendation and issued a direction under Section 51 to Law Mutual on 14 April 1964.

The situation was further aggravated by July 1967. The CRFS now regarded the two societies as 'indistinguishable administratively having the same directors, staff and office'.[79] Of greater concern, however, was the potential for financial losses:

> As with the Eagle, the essence of the case against this [Law Mutual] society is that a large proportion of its outstanding advances are secured on properties of less value than the advance, the total difference in those cases being £41,932. At 31st December 1966 the society had reserves of £8,664 and a provision for anticipated losses of £1,800. Taking this into account the net total possible losses on these mortgages against which there is no reserve is £31,000, involving a possible loss of 6% of shareholders funds…It seems inevitable therefore that in the course of time…losses will turn out to be in excess of the society's reserves and the investors will suffer some loss. In these circumstances the society should clearly be stopped from taking further investments. (T326/849, the CRFS's letter addressed to R. T. Armstrong at the Treasury dated 18 July 1967)

Musson then served a notice of intention under Section 48 to both Law Mutual and Eagle on 25 July 1967. The two societies made oral representations. After several meetings, in October 1967, Musson informed the Treasury that directors had promised to voluntarily stop taking deposits and making new advances for a period of time. For

[76] T326/849, the CRFS's letter addressed to J. I. McK. Rhodes at the Treasury dated 10 December 1963.
[77] T326/850, a memorandum prepared by A. K. Stubbs at the Treasury dated 23 December 1963.
[78] T326/850, in a letter from J. I. McK. Rhodes to the CRFS dated 24 December 1963.
[79] T326/849, the CRFS's letter addressed to R. T. Armstrong at the Treasury dated 18 July 1967.

Musson, these were equivalent to the effects of the proposed order and in light of this he decided to postpone issuing an order.[80] At this point Musson expected 'the societies…[to] gradually run down'.[81]

Contrary to Musson's expectation, however, self-control exhibited by both societies resulted in significant improvements in their financial accounts. In terms of net income the improvement mainly responded to disposing of properties having doubtful values and cutting down otherwise high interest rates paid to term investors.[82] Both societies survived until the early 1980s. In this process the level of reserves grew as much as 15 percent of the total assets and more than 31 percent of mortgage assets in the case of Eagle and much more for the sounder Law Mutual. But the original directions made to both societies prohibiting advertisement were never revoked so that the level of total assets remained close to £300,000 and that of mortgage assets to less than a half of the total. Then, in the early 1980s, other societies started to offer significantly higher rates of interest to investments and deposits than those offered at the Law Mutual. As a result the investment income quickly migrated and the scale of both societies rapidly shrunk. The Law Mutual was thus dissolved in 1983 while its sister society, the Eagle, followed in 1984.

3.4 Home Park Building Society

Incorporated in May 1958 with only the assets of £10,000, this society still remained small at the end of 1963 having only £43,682 in total assets. The society did not seek investment funds from the public until 1962, but during 1963 investments were accepted from six new shareholders who were promised to receive interest at 4.5 percent. The possibility that the directors were seeking outside capital to replace their own money (by offering investors an attractive return) together with, ironically, a very high reserve ratio awoke the suspicions of the RFS. An investigation was launched in August 1963, the report of which was issued on April 1964 stating that:

> …this society possessed some unusual features. No interest was paid on either shares or deposits until 1963 and the society was being subsidised in other ways – no directors' fees or staff salaries were being paid and office accommodation expenses were purely nominal. Despite this, the society's charge to borrowers were high, mortgage interest rates of 8 and 8 1/2 per cent being levied and entrance fees charged. (T326/229, Report of an investigation into the affairs of the society dated 1 September 1964)

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[80] T326/849, the CRFS's letter addressed to R. T. Armstrong at the Treasury dated 24 October 1963.
[81] T326/849, the CRFS's letter addressed to R. T. Armstrong at the Treasury dated 24 October 1963.
[82] T326/850, the CRFS's letters addressed to R. T. Armstrong at the Treasury dated 24 October 1967 and 27 May 1969.

Alongside their duties at the Home Park, the directors were found to have operated mortgage finance company and real estate brokers whose properties no other building society would accept as security (because these properties were very old and some built before 1870). Whether directly or indirectly through their outside business, the Home Park's directors were personally interested in at least 80 percent of all mortgages advanced by the society.[83] It is worth noting how, as was the case of Mancunian, the inspectors' report criticized the way the society accumulated capital reserves:

> By the end of 1963, the society's reserves had grown to 11.8 per cent of its total assets. This was achieved by charging high mortgage interest rates whilst, at the same time, paying little or no interest on investment capital or deposits received… (T326/229, Report of an investigation into the affairs of the society dated 1 September 1964)

In September 1964 the CRFS issued a notice of his intention to prohibit the society from advertising once it was clear the society pursued the business interest of its directors rather that those of the investing public.[84] The Treasury's consent was obtained on 18 November 1964 and a direction forbidding advertisement was made on the same day. As in the case of Mancunian, the Home Park did not face an imminent crisis because it could still secure necessary, though limited, funds, through personal introduction by the existing shareholders. The direction was, however, never revoked until the society's gradually shrunk in size and dissolved in 1975.

In summary, the case of Home Park exemplifies of why directions made under Section 7 of BSA60 (Section 51 of BSA62) were in place until the society dissolved. Cases involving this type of intervention were all related to societies that were run while pursuing personal interests of their top executives. A direction prohibiting advertisement made it difficult for the societies to recruit new investors, which, in turn, reinforced the reasons why the sanction was introduced in the first place.

3.5 London and Midland Building Society

The investigation of the London and Midland[85] started in February 1965 after its secretary, A. L. Low, informed that £96,000 of the society's funds (about one-quarters

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[83] T326/229, Report of an investigation into the affairs of the society dated 1 September 1964.

[84] T326/229, a letters from S.D. Musson to J.I. Mck. Rhodes at the Treasury dated 4 September 1964 and 9 November 1964.

[85] There were two London &Midland Building Societies. One was established in 1936 and quickly dissolved in 1938. The other was established in 1955, transferred its engagements to London Goldhawk in July 1978 and after several more transfers, its engagements are now with Nationwide. Personal communication, Simon Rex (Building Societies Association), 28 July 2011.

of the total assets) had been transferred to a company called Ducape Holdings Ltd. without any security.[86] The CRFS immediately requested to the Treasury and was granted permission to act under Section 48 of BSA62 to stop the society from taking further investments.[87] An order was then imposed on 2 March 1965 while criminal proceedings were initiated by the society against two of its three directors.[88]

On 10 November 1967 the solicitors of the London and Midland wrote to the CRFS requesting for revocation of the order. The Registrar's staff reinvestigated the affairs of the society. On 22 April 1968 the order was revoked following a diagnosis revealing that 'no indication…[of] any of the present directors are subject to any other outside influence by anyone in connection with the affairs of the society'.[89] But the order's termination was conditional for the London and Midland to observe two undertakings namely: (1) '[t]he society will…maintain a ratio of reserves to assets of not less than 3.75%', and (2) '[t]he society will not make any advances the making of which would result in its liquid assets (cash and investments at market value less bank loans) being reduced to below 15% of its assets'.[90]

But even after revocation, the London and Midland could not achieve full recovery. The chairman, L.A.W. Noble, already noted this in a statement in the annual report for 1968. There he said that '[i]n common with all Building Societies the attraction of new investors is proving very difficult in prevailing conditions of high interest rates and the inflationary cost of living'.[91] Indeed, total assets remained just over £300,000. The level of reserves also remained relatively low in comparison with other small-sized societies and close to 5 percent of total assets. The society dismantled in July 1979 by transferring its engagements to the London Goldhawk. The case of London and Midland illustrates how the level of reserves was central in the decision making of the RFS, the authority supervising the operations of building societies, when considering to not only to issue but also to revoke an order.

4 Discussion and Concluding Remarks

[86] T326/711, the CRFS's letter his letter addressed to J. I. McK. Rhodes at the Treasury dated 3 February 1965.
[87] T326/711, the CRFS's letter his letter addressed to J. I. McK. Rhodes at the Treasury dated 3 February 1965.
[88] In April 1968 two former directors were convicted of conspiring to cheat and defraud the London and Midland society (T326/711, the CRFS's letter to D. W. Thompson at Treasury dated 8 April 1968).
[89] T326/711, the CRFS's letter to D. W. Thompson at Treasury dated 8 April 1968.
[90] T326/711, the CRFS's letter to D. W. Thompson at Treasury dated 8 April 1968.
[91] FS 14/1477, annual report for the year of 1968 dated 24 April 1969.

In an attempt to indicate the need to review what has been stated in the literature relating to the limited use, if any, of accounting information within retail financial service organizations, this study offers systematic empirical evidence of the use of accounting information by state authorities to discipline the behaviour of building societies suspected of irregularities. Accounting-based regulation was defined in this study as a form of codified practices, enacted into law, and which uses accounting numbers as criteria for identifying spaces and subjects to be regulated. This study has documented how accounting-based regulation was introduced through HPHA59 and BSA60 and detailed how this regulation was put into practice and impacted on the operations of individual societies.

Fieldwork first considers the introduction of HPHA59. The Act gave the RFS power to prescribe conditions for deposits (and later on share investments) at individual societies being granted trustee status. These requirements were the first to detail minimum capital requirements for any participant in British retail finance. They included maintaining a minimum level of reserves and liquidity as per cent of total assets. It also specified half a million pounds in total assets as the threshold to be considered for trustee status – thus discriminating against a large number of small asset sized, non-Association-member societies.

The Association fought to differentiate its members from those outside its realm and particularly a number of small-sized societies regarded as financially unsound, moribund in the worst case, and under the potential influence of property developers. These were undesirable for the promotion of thrift, contrary to widely accepted values of the building society movement as well as deviations from the purpose of a building society to finance the purchase of dwellings by private individuals. The Association had privileged access to the policy making process. This mirrors a typical insider group as proposed by Grant (1978; 2000). State authorities, namely the RFS and the Treasury, shared the same policy priorities with the Association, which in turn facilitated the establishment of minimum reserve and liquidity ratios as model forms of prudential supervision in the operation of the building society sector. The interdependent relationship between the Association and state authorities was also instrumental to strengthen the powers of the RFS in BSA60, particularly with regards to enabling the RFS to forbid not only advertisement but also acceptance of new investments. These new extended powers were used without delay to discipline societies suspected of inadequate use of their funds. Specifically, the reserve ratio was set as the chief accounting-based criterion to identify deviations from the industry norm.

BSA60 introduced the concept of special advances to limit loans of individual societies to corporate bodies to a maximum of 10 percent of total advances made during the year. In parallel with this, Form A.R.11, the main instrument to monitor the financial performance of individual societies, was revised so that necessary accounting information could be supplied for the CRFS to detect 'disreputable' societies at an early stage.

Cases of intervention documented in this study tell how the RFS initially identified societies suspicious of irregularities based on the behaviour of specific accounting criteria, such as rapid expansion of asset size, extraordinarily higher rate of interest paid to investors and a large sum of money invested in advertisement. The cases examined document how the CRFS transformed the use of the levels of reserves from its original function as a condition to approve trustee status to become a benchmark for its actions when exercising its power of intervention (by issuing or revoking orders and directions). As a result, the CRFS forced targeted societies to improve their level of reserves, aiming at more financially sound position and increasing security to its depositors and share investors (see Bátiz-Lazo and Billings, 2012 for a contemporary case of a large society with a weak reserve ratio but which was not subject to intervention). Although when compared with the entire population of the UK building societies the number of societies which in fact were subject to the intervention was small, the consequences of such intervention and particularly the application of Section 6 of BSA60 (prohibiting the acceptance of new investments), appear to have been a warning to the remaining constituents to abstain from engaging in activities that could be contrary to servicing the investment community (including a reduction in the reserve ratio).

The cases examined in this study substantiate the view that the disciplinary powers of the CRFS, founded on the accounting-based criterion, in particular the prohibition on acceptance of investment exercised under 6 (2) of BSA60, were effective to guide disreputable societies through the established norms and make them to discharge the standards. Indeed, the improvement made in the systems of internal control at the Lloyds Permanent was guided and backed up by the supervision from the RFS. The self-control, rather than ordered prohibition, observed at Eagle and Law Mutual on taking deposits and making new advances was surely the results of the intervention made by the CRFS, which then contributed to the subsequent improvement in the quality control of advances made and their long-run survival of both by the early 1980s. Similar type of self-control at the London and Midland on the ratios of reserves and liquidity, which were conditions for the revocation of the order once made, could have at least been useful to prolong its subsequent life for about ten years, though unable to make full recovery.

Although penalizing the conduct of the Mancunian and Home Park with the prohibition of advertisement, the RFS even questioned the way they accumulated reserves, i.e. higher than the average rates of interest charged to borrowers, despite their financial statements recorded high or at least not immediately risky levels in the reserve ratio. The devise limiting funding from the outside, through the ban on advertisement, could not necessarily press the improvement of accounting control at the targeted societies, but it was at least useful, as normally expected function of regulation, to prevent outsiders from being involved in potential risks existing in the targeted societies.

In summary, the evidence documented in this study suggests that the assessment made in prior studies needs to be reviewed in light of the fact that accounting information was instrumental for state authorities represented by the Treasury and the RFS to externally discipline building societies having irregularities and it played a vital role to supplement the societies' own underdeveloped control.

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Table 1: Estimates for Qualification for Trustee Status (as of 8 December 1958)

	Number of societies	Percentage of total assets	Sum of total assets
Building societies which qualify in all respects	170	88.06%	£2,126,788,251
Societies which fail to qualify			
(1) being terminating societies	28	0.02%	£409,343
(2) being unincorporated societies	8	0.20%	£4,869,969
(3) having total assets less than 0.5 million (permanent & incorporated)	476	2.83%	£68,331,888
(4) unsatisfactory liquid position	50	3.26%	£78,616,516
(5) unsatisfactory reserves	17	4.82%	£116,445,613
(6) both liquid & reserve position unsatisfactory	4	0.79%	£19,125,993
Sum	753	100%	£2,414,587,573

Source: FS23/283, Analysis of building societies – qualification for trustee status

Table 2: Orders in force by Chief Registrar of Friendly Societies at the end of 1965
(Interventions under Section 11 of PFA39)

Name	Head Office	Established	Order Issued	Society Terminated	Procedure for Termination
Royal Mutual Benefit*	London	1865	1940	1965	Registration cancelled. Deposits transferred over to Brittania and mortgages to Bristol & West.
President Permanent	London	1869	1949	1965	Dissolved.
Second St James's	London	1876	1949	1955	Dissolved. Order by the court to be wound up on July 1955 but it was still in process of being terminated as of December 1965.
Blackpool	Blackpool	1937	1951	1980	Dissolved.
Willesden	London	1933	1951	1969	Transfer of engagements to Hastings & Thanet.
Southern Counties	London	1932	1955	1956	Dissolved.
County of London Permanent	London	1934	1956	1992	Dissolved.
Fleet	London	1955	1956	1965	Dissolved.
Moorgate	Swansea	1947	1957	1974	Dissolved.
Camden	London	1957	1958	1965	Dissolved.
Essex Mutual	Hornchurch	1935	1958	1962	Dissolved.
Westminster	London	1954	1958	1981	Transferred engagements to Country.

Source: Report of the Chief Registrar of Friendly Societies (Building Societies), 1960-1965; '*Mergers and Name Changes*' (Building Societies Association, 2010)

Notes: (*) Total Assets greater than £500,000 at the time of intervention.

Table 3: Orders in force by Chief Registrar of Friendly Societies at the end of 1965

(Interventions under Section 11 of PFA58)

Name	Head Office	Established	Order Issued	Society Terminated	Procedure for Termination	Notes
State	London	1931	1959	1970	Transfer of engagements to Abbey National.	1
Lloyds Permanent	London	1954	1960	1965	Orders under section 11 of PFA58 and section 6 (2) of BSA60 revoked in 1963. Transfer of engagements to Westbourne Park in 1965.	1,2
Alliance Perpetual	London	1854	1960	1968	Transfer of engagements to Leek & Westbourne.	1
County Palatine	Manchester	1956	1960	1970	Dissolved.	
Preston and Blackburn	Preston	1952	1960	1983	Order by the court to be wound up on July 1955 but dissolved until 1983.	

Source: Report of the Chief Registrar of Friendly Societies (Building Societies), 1960-1965; 'Mergers and Name Changes' (Building Societies Association, 2010)

Notes

1) Total Assets greater than £500,000 at the time of intervention.
2) Society was sanctioned under both PFA58 and BSA60.

Table 4: Orders and Directions issued by Chief Registrar of Friendly Societies, 1960-1965
(Interventions under Sections 6 and 7 of BSA60)

Name	Established	Head Office	Order Issued	Society Terminated	Procedure for Termination	Notes
County of London Permanent	1934	London	1960 (Sec 6)	1970	Transfer of engagements to Abbey National.	
Lloyds Permanent	1954	London	1960 (Sec 6)	1965	Orders under section 11 of PFA58 and section 6 (2) of BSA60 revoked in 1963. Transfer of engagements to Westbourne Park in 1965.	1,2
Wembley	1955	London	1961 (Sec 6)	1980	Dissolved.	1
Eagle	1956	London	1961 (Sec 7)	1983	Dissolved.	1
Mancunian	1956	Manchester	1961 (Sec 7)	1979	Transfer of engagements to Cheshire.	1

Notes

1) Total Assets greater than £500,000 at the time of intervention.
2) Society was sanctioned under both PFA58 and BSA60.

Table 5: Orders and Directions issued by Chief Registrar of Friendly Societies, 1960-1965
(Interventions under Sections 48 and 51 of BSA62)

Name	Established	Head Office	Order Issued	Society Terminated	Procedure for Termination
Official and General*	1850	London	1962 (Sec 48 & 51)	1981	Transfer of engagements to London Grosvenor.
Refuge	1958	Manchester	1962 (Sec 48)	1977	Dissolved.
Wythenshawe	1958	Manchester	1963 (Sec 48)	1963	Dissolved.
Home Park	1958	London	1964 (Sec 51)	1975	Dissolved.
Law Mutual	1957	London	1964 (Sec 51)	1984	Dissolved.
London and Midland	1955	London	1965 (Sec 48)	1979	Transfer of engagements to London Goldhawk.
Vanguard	1960	London	1965 (Sec 48)	1966	Dissolved

Source: Report of the Chief Registrar of Friendly Societies (Building Societies), 1960-1965 and Building Societies Yearbook (1961).

Notes: (*) Total Assets greater than £500,000 as of 31 December 1960.