



Co-operatives, Mutuals and Friendly Societies Bill (First sitting)

House of Commons, November 30, 2022

Speech by James Murray MP (Ealing North) (Lab/Co-op)

It is a pleasure to serve on this Committee with you as Chair, Mr Mundell. I begin by thanking and warmly congratulating my hon. Friend the Member for Preston on securing cross-party support for this important Bill.

Britain has a long tradition of fostering the principles of co-operation and mutual support. The histories of the Co-operative party and the Labour party in this country are closely entwined. That relationship was institutionalised in 1927, when the Co-operative party and the Labour party entered an electoral agreement to stand joint candidates in elections. Nearly a hundred years later, that agreement is going strong—as one of many Labour and Co-operative MPs, I can attest to that.

To this day, both parties continue to make the case for co-operatives and friendly and mutual societies. I have always been proud to work with the Co-operative party to promote the co-operative businesses that are leading the way in improving equality and productivity at work. As a shadow Treasury Minister, I am keenly aware of the role that co-operatives and mutuals play in trade sectors as diverse as agriculture, renewable energy, retrofitting, creative industries, manufacturing, distribution, wholesale, retail and financial services.

Those British businesses play such an important role in supporting working people across the country in gaining greater control over their lives. In the financial services sector for example, building societies provide people with a low-risk, member-focused banking alternative and research has shown that trust in building societies is consistently high. Building societies are also typically well capitalised, making the sector more resilient to financial shocks and better able to lend and plan for the long term.

At the same time, credit unions serve 1.9 million members and 2.1 million depositors across the UK. Currently, around £1.7 billion has gone out in loans to credit union members, providing a crucial life-line to the most financially vulnerable in society and preventing people from turning to loan sharks and high-interest loans.

With the right support, the co-operative sector has the potential to provide solutions to many of the crises and challenges we face as a country, such as

the cost of living crisis or climate change. But despite the distinctly British character and history of mutually and co-operatively owned companies, and the important role they play in promoting financial responsibility and resilience among their members, the sector's needs have too often been ignored. The number of mutual credit unions has fallen by more than 20% since 2016. Ordinary families have paid the price, with many forced into the arms of unethical lenders. That will only get worse as the cost of living crisis deepens.

Unlike the United States and many other European countries, the UK is uniquely lacking in mutually or co-operatively owned regional banks, which could play a crucial role in providing the affordable credit that small and medium-sized businesses need to reach net zero. The growth of co-operatives in this country is

being held back by a legislative and regulatory framework that is not designed for co-operative businesses. Given their unique structure, co-operatives, mutuals and friendly societies are often excluded from traditional investment methods.

Sadly, as we have heard, the sector is also under threat from demutualisation. There was celebration across the co-operative and labour movements last year when members voted to reject the controversial takeover of the insurer Liverpool Victoria by the private equity firm Bain Capital, yet demutualisation remains a real and present threat to the sector. That is why the provisions contained in the Bill are so important and will help to ensure that mutual capital is maintained for its intended purpose.

We welcome the Government's support for the Bill, and we would like to use this opportunity to urge the Government to consider wider reform, such as giving co-operatives more freedom to issue perpetual capital to fund investment, to secure the future of this important sector. The Financial Services and Markets Bill, which is currently passing through the House, contains some welcome and long overdue provisions, such as enabling credit unions to offer a wider range of products, but if the Treasury wants to unlock the economic potential of the sector, it could go much further. That is why I hope that, alongside supporting this Bill, the Government will consider supporting the amendments tabled by my hon. Friend the Member for

Hampstead and Kilburn (Tulip Siddiq) to the Financial Services and Markets Bill, which would give the regulators—the Financial Conduct Authority and the Prudential Regulation Authority—an explicit remit to report on how they have considered specific business models, including mutuals and co-operatives, to ensure they are given parity of esteem with standard providers.

It is time to radically reform the rules governing the sector, to give greater flexibility and to allow

mutuals and co-operative financial services to grow. The Labour party and the co-operative movement share a commitment to building a society in which power and wealth are shared fairly. That is why the Labour party and the Co-operative party have agreed an important ambition for government: we will double the size of the co-operative and mutual sector in the UK. We recognise that the Bill represents an important step toward achieving that aim, and we will be giving it our full support today.
