National Westminster Bank Review, November 1980

Competition Between Banks and Building Societies

Mark J Boleat

Introduction

A major feature of the operations of financial institutions in a number of countries in recent years has been the greater competition between the various types of institutions, especially savings and loan organizations and banks. A second feature of financial systems has been government inquiries – the deKock Commission in South Africa, the Campbell Committee in Australia and the Wilson Committee in Britain; in the United States a major financial institutions bill has been enacted, bringing into effect many of the recommendations of the Hunt Commission.

This paper analyses why competition between banks and savings and loan organizations has increased and then goes on to explain the nature of that competition in Great Britain, Canada, Australia, South Africa and the United States. Brief reference is also made to the position in the continental European countries.

The reasons for increased competition between banks and building societies

For many years there has been a tendency for banks and building societies (the term here including other savings and loan institutions) not to trespass into each other's areas. Inevitably there has been a degree of overlap, largely in respect of deposits which are essential to both building societies and banks.

In the past decade, building societies the world over have tended to encroach more into the markets of banks, helped by technological advances which have facilitated the offering of alternative services to customers. Thus, many building societies (although not in Britain) now offer a money transmission service. The banks have sought to compete more vigorously with building societies largely for commercial reasons. They have realized that the mortgage market is a growing market and one in which there is a place for them to operate at a substantial profit. They have also seen mortgage lending as a means of introducing other new business.

The public have become increasingly sophisticated financially and this is another factor which has probably led banks and building societies to compete more strongly. Many financial institutions have owed their growth largely to inertia; that is, once people open an account they have tended to stick with the institution. Increasingly this is no longer the case and financial institutions must respond to the demands of potential customers as expressed in the market place. One option is what is called 'one stop' or 'universal' banking – a financial institution which can cater for all consumer needs. Trust companies in Canada are in this position as are the savings banks in West Germany.

Great Britain

In Great Britain, more so than in most countries, the banks and building societies have tended not to compete with each other. Building societies were originally founded as small mutual organizations designed to enable their members to purchase homes. In the nineteenth century they developed a savings bank function as well as a mortgage lending function but since that time their method of operation has changed little. Their two basic functions remain to provide a home for savings and to make mortgage loans to house-buyers. Unlike most other countries, Britain does not have a strong savings bank movement. Recently, however, there has been a noticeable change in this respect as the savings banks have joined the private sector and are now looking to compete more aggressively with banks and building societies.

The banks have not sought to become involved in the house-purchase market except to provide bridging finance. Banks have a natural aversion to lending long-term even though they have been able to do so at variable rates of interest which effectively removes most of the dangers of borrowing short-term and lending long-term.

Where building societies and banks have competed strongly in Britain in the post-war period is in the savings market. In 1950 building societies held less than 10 per cent of the funds of the personal sector while the National Savings movement, including the savings banks, and the clearing banks shared the other 90 per cent. The National Savings share of the market has since declined steadily and now stands at under 20 per cent, while the building society share is approaching half. The banks have lost a little market share to the building societies although not very much. Table I shows the shares of short-term financial assets held by households in Great Britain as at the end of 1966 and 1978.

Table I
Shares of short-term household financial assets, Great Britain

Institution	1966 Per cent	1978 Per cent
Building societies	24	44
Banks	30	28
National Savings[1]	34	18
Notes and coins	9	9
Other	3	1
Total	100	100

Note:
1. The figures for National Savings include the savings banks.
Sources: Economic Trends, January 1978 and *Financial Statistics,* February 1980.

The building societies have come to dominate the market for personal savings and a high proportion of the liquid funds held in banks are in current accounts rather than deposit accounts. The banks make little attempt to compete for savings deposits and do not advertise widely the services which they offer to the public in this respect. In general, building societies have been offering a higher rate to investors than have the banks and obviously this is one reason why their deposits have grown much more quickly. Giving evidence to the Wilson Committee, the Governor of the Bank of England suggested that building societies enjoyed three advantages in relation to the banks:

☐ They lend into a favoured market, that is, mortgage interest alone qualifies for tax relief.
☐ Their business does not involve complicated services and is therefore cheaper to run than banking business.
☐ They are open for business on Saturday mornings.

The second point is particularly important. The banks have tended to subsidize their money transmission service by their deposit accounts and obviously this lessens their ability to compete in the savings market.

The banks themselves have argued that they find it difficult to compete with building societies because the societies enjoy unfair advantages. One of the advantages generally cited is the composite rate of tax. Through this arrangement building societies discharge the basic rate tax liability of their investors but they do not pay the basic rate of tax but rather a reduced rate to reflect the fact that a high proportion of building society investors are not liable to tax. The composite rate is designed to secure for the Inland Revenue the same amount of tax as would be collected if all building society investors were separately assessed. Whether or not the arrangement gives societies a competitive advantage depends entirely on whether investors liable to the basic rate of tax are more interest-sensitive than those who are not so liable. It seems probable that they are but the benefit is at best very marginal and there seems little doubt that societies would continue to be very competitive even if the composite rate arrangements were ended.

The banks have had a somewhat better ground for complaint in that they have been subject to direct monetary controls which have affected their ability to compete with other financial institutions. However, the banks' complaint has not really been with building societies being exempted from monetary controls but rather with the monetary controls themselves. The banks prefer monetary controls that operate through the market mechanism; that is, interest rates. By definition these must affect building societies as much as banks. However, the government has in the past not found it possible to attain its monetary policy objectives without resort to administrative measures. The Green Paper, *Monetary Control* (Cmnd. 7858, March 1980) marks a significant change in policy in this respect. The corset has been abolished and the reserve asset ratio will be allowed to lapse. In future, interest rates will be the major monetary policy instrument and this should enable the banks to compete on more equal terms with societies. Indeed, two of the major banks have already announced new deposit schemes following the abolition of the corset in June.

Equally significant is the entry of the banks into the mortgage market. Bank lending still remains small in relation to building society lending for house-purchase but it has grown at an exceptionally rapid rate over the past two years, a trend which is expected to continue. Table II shows the position. Bank lending for house-purchase (which exhibits marked seasonality) has more then doubled since 1978 and the effect of this has been that building societies' share of net lending fell from 95 per cent in 1977 and 1978 to 80 per cent in 1979.

Table II
Net lending for house-purchase

Quarter	Building societies £ million	Banks £ million
1978 Q.1	1,266	20
Q.2	1,344	80
Q.3	1,280	80
Q.4	1,225	90
1979 Q.1	1,181	30
Q.2	1,260	150
Q.3	1,318	230
Q.4	1,155	190
1980 Q.1	1,143	40
Amount outstanding end-Q.1 1980	37,772	2,420

Source: Financial Statistics, July 1980.

Probably the main reason why the banks have sought to enter the mortgage market is that they see this as being very profitable. In Britain, building societies characteristically have charged a mortgage rate below a market clearing level and hence there have always been queues for mortgages. Because societies have not met demand, there has been a strong demand for loans at a rate of interest above that charged by the societies. Currently, most building societies are charging 15 per cent on most of their loans. A market clearing rate would probably be about 17 per cent. However, because there is a significant volume of unsatisfied demand, the banks have little difficulty in making loans at a rate of 20 per cent or even higher. This lending is very profitable especially as lending on the security of a house is safer than lending on the security of a business. Also mortgage lending can be used as a lead-in for the banks to offer other financial services such as insurance, tax planning and improvement loans.

Canada

Competition between banks and savings and loan organizations in Canada is more intense than in Britain. Unlike the British market, the mortgage market in Canada is not dominated by one type of institution. No less then five types of institution have between 11 and 22 per cent of the total market. Table III shows the distribution of mortgage loans outstanding as at the end of 1979.

Table III
Mortgage loans outstanding, end 1979

Institution	Amount $ million	Percentage of total
Life insurance companies	15,700	13.2
Chartered banks	18,900	15.9
Loan companies	9,400	7.9
Trust companies	25,000	21.1
Estate, trusts and agency funds of trust companies	11,700	9.9
Credit unions	14,400	12.1
Government and government agencies	13,100	11.0
Corporate lenders	3,500	3.0
Pension funds	5,600	4.7
Others	1,300	1.1
Total	118,600	100.0

Source: Canadian Housing Statistics, 1979, CMHC, 1980, Table 85.

It will be seen that at the end of 1979 the banks had 15.9 per cent of the total mortgage market. Mortgages represented 8.2 per cent of the total assets of the banks. This might seem a fairly low proportion but what is significant is the growth in the proportion in recent years. In 1968 the banks accounted for only 4 per cent of the market but in recent years they have been taking about 30 per cent of the net increase in mortgage loans outstanding and thus in due course their proportion of the balances outstanding will rise towards this level.

In Canada the banks have been closely circumscribed in the extent to which they can operate in the mortgage market. In 1954 the banks were permitted to make loans insured under the National Housing Act and, as a result, they rapidly became more active in the mortgage market increasing their share of the total from virtually nothing to 12 per cent in 1958. However, the banks were not permitted to charge more than 6 per cent on their loans and while this did not matter in the early 1950s when interest rates were low, it did matter in the 1960s and as a result their share of the mortgage market fell to 4 per cent. The 1967 Bank Act permitted banks to make insured loans at the current rate of interest and they were also authorized for the first time to make conventional loans, that is, uninsured loans which cannot be for more than 75 per cent of the value of the property. In 1970 the banks were permitted to make non-NHA insured loans for over 75 per cent of valuation on the same basis as other institutions. Thus the banks were permitted, for the first time, to compete in the mortgage market on equal terms with other lending institutions.

The banks have also been partly responsible for the innovations in the housing finance market in Canada. Traditionally, the Canadian housing finance system has operated on the basis of a five-year mortgage rollover. That is, investments are attracted for five-year periods and mortgage loans, while being based on the annuity principle and calculated on the assumption that they will be repaid over twenty or twenty-five years, become repayable at the end of five years; the rate of interest on such mortgages is fixed. At the end of the five years the borrower has the option of taking out another loan at the then prevailing rate of interest. The system thus effectively matches assets and liabilities. However, with interest rates becoming more variable the banks considered that a more flexible approach was required and began offering mortgages with rollover periods of three, two or even one year. Also, open mortgages have been offered which can be redeemed at any time. However, the rate of interest on such loans has obviously had to be maintained at a higher level than the normal rate of interest. The trust companies have matched the loan facilities offered by the banks. To some extent, the banks use mortgage lending to help bring in other business. Mortgage lending has also enabled them to make more effective use of their branch offices.

In the deposit market banks and trust companies also compete on equal terms. The five-year investment certificate remains one of the most attractive savings media and there is aggressive competition between the various savings institutions. The rates of interest paid and charged by banks, trust companies and other institutions tend to be very much on a par, as one would expect in a fairly free competitive market.

Although there is strong competition between the various financial institutions in Canada, there does not appear to be the same degree of antagonism as exists in Britain, the United States, Australia and, possibly also South Africa. Possibly this is because the Canadian finance system is far less subject to distortionary government regulations than are those in other countries. There are no interest rate ceilings, either generally or on particular institutions, and, for the most part, the various institutions are free to compete on equal terms. There is also a fair amount of overlap between the various types of financial institutions. For example, some trust companies and banks prefer to run their mortgage business through a subsidiary mortgage loan company rather than through the parent body. More generally, the banks and trust companies have important commercial links with each other.

Australia

The development of housing finance and competition between banks and building societies in Australia in recent years bears a close resemblance to the position in Great Britain. The building societies have been taking market share away from the savings banks in the savings market, and, more generally, the trading banks have grown less rapidly than the non-bank financial intermediaries – in particular, the building societies and merchant banks. For example, between 1965 and 1977 the trading banks grew at a compound annual growth rate of 12.8 per cent and savings banks at 10.6 per cent, while the building societies grew at 30.2 per cent. Among the reasons for this trend have been restrictions imposed on the banks for monetary control purposes and interest rate controls on the savings banks. However, as in Britain, it has been recognized in recent years that non-market monetary controls are not very effective because they lead to activity being concentrated outside of the banking system and cause other distortions. Table IV illustrates the changing shares of the savings market in recent years. The sharp decline in the share of the market held by the savings banks is particularly apparent and mirrors the position in Britain.

Table IV
Interest-bearing deposits, 1970–78

Institution	1970		1978	
	$ million	Percentage of total	$ million	Percentage of total
Trading banks	3,493	29	13,936	36
Savings banks	7,147	60	17,854	46
Building societies	1,204	11	6,654	18
Total	11,844	100	38,444	100

Source: **Reserve Bank of Australia, *Statistical Bulletin.***

The building societies in Australia are less important in terms of their role in the housing finance market than is the case in Britain. Table V shows the distribution of mortgage approvals between the various institutions in 1978. It will be seen that the savings banks accounted for 40.6 per cent of mortgage approvals while the permanent building societies accounted for only 29.6 per cent. However, the building societies have been increasing their share of the mortgage market in recent years in line with the increase in their share of the savings market.

Currently, there is fierce debate in Australia, through the medium of the Campbell Inquiry (the counterpart of the British Wilson Committee), between the banks and the building societies over the question of government regulation. The banks have argued that because building societies are not subject to the same interest rate controls as themselves and the savings banks, the societies have a competitive advantage. The building societies have called for equal competition between the banks and building societies but they have argued that the banks currently have major privileges – in particular, exclusive access to lender of last resort facilities from the central bank and that this enables them to attract money more cheaply than other institutions. The banks themselves have

Table V
Mortgage approvals, 1978

Institution	Amount $ million	Percentage of total
Trading banks	694.9	12.9
Savings banks	2,193.3	40.6
Permanent building societies	1,602.6	29.6
Terminating building societies	195.6	3.6
Finance companies	308.5	5.7
Credit unions	33.7	0.6
Insurance companies	137.6	2.5
Government	241.4	4.5
Total	5,407.6	100.0

Source: Australian Bureau of Statistics, *Housing Finance for Owner-Occupation.*

argued that the lender of last resort facility is punitive as far as they are concerned. The banks have also opposed deposit insurance for building societies because this would give the latter an advantage. The building societies have argued that while the banks have called for the removal of interest rate controls, they wish to preserve not only their exclusive right to lender of last resort facilities, but also a monopoly of the payments mechanism and the operation of the clearing house.

The Campbell Committee is seeing some merit in de-regulation of interest rates and other controls but is concerned at the possible effect that this might have on the building societies. The societies point out that de-regulation would put them in an unfavourable competitive position because, unlike banks, their lending is largely restricted to house-purchase loans; they cannot operate across state borders; and the mortgage rate is subject to political and social influences. The building societies may also face an unfavourable competitive environment in that they will not be able to offer as advanced electronic fund transfer services as the banks.

Thus assuming that there is de-regulation in Australia the building societies seem likely to lose ground to the savings banks and the trading banks; the savings banks could be expected to take in particular a larger share of the mortgage market. More generally, the mortgage market would probably become more competitive and present interest rate differentials and other anomalies would be lessened.

South Africa

South Africa presents a contrast to Britain and Australia in that the banks have been gaining ground at the expense of the building societies; this is illustrated in Table VI.

It will be seen that, between the end of 1971 and the end of 1978, the commercial banks increased their share of savings deposit balances from

Table VI
Savings deposit balances with financial institutions

Institution	End–1971		End–1978	
	R million	Percentage of total	R million	Percentage of total
Commercial banks	591	39	2,482	51
Merchant banks	—	—	7	—
HP, savings and general banks	218	14	472	10
GPO	156	10	188	4
Permanent building societies	569	37	1,672	35
Total	1,534	100	4,821	100

Source: Reserve Bank Quarterly Bulletin.

39 to 51 per cent while the building societies' market share fell slightly from 37 to 35 per cent. The building societies do have some tax concessions in the savings market but, nevertheless, the banks have been taking an increasing share of the market, partly because conditions relating to special savings schemes have been relaxed but also because the banks have been able to offer schemes linked to their other services – such as credit cards and current accounts. The banks have aggressively marketed their savings products. Building societies have responded, particularly in the field of marketing and services.

Societies retain a dominant position in the housing finance market and account for some 80 per cent of mortgage loans. However, with the high level of liquidity in the South African economy the building societies can expect stronger competition from other lending institutions in the lending field. Currently, there is a lively debate in South Africa about whether societies should stay as they are – traditional housing finance organizations – or, rather, compete more strongly with the banks and thereby become more like the banks themselves.

The United States of America

The financial markets in America have been amongst the most regulated in the world. Among the factors distorting competition are:

☐ For the most part financial institutions are not permitted to branch outside of their state of origin.
☐ Financial institutions can either be regulated by a federal body or by a state body and the regulations can differ substantially between states.
☐ The regulations made for different types of organization can differ quite substantially.
☐ Since the mid-1960s in particular, interest rates payable on savings accounts have been very closely controlled.
☐ In some states usury laws limited the ability of financial institutions to lend at a profit.

Table VIII
Residential mortgage loans outstanding on one–four family homes end–1979, United States

Institution	Amount $ million	Per cent
Savings and loan associations	394,436	45
Commercial banks	146,077	17
Mutual savings banks	64,717	7
Life insurance companies	16,193	2
Federal agencies	53,142	6
Mortgage funds or trusts	101,579	12
Other	96,047	11
Total	872,191	100

Source: Federal Home Loan Bank Board Journal.

have been able to pay on deposit accounts has also been limited. In 1966 savings and loan associations were for the first time subject to interest rate regulations. Very detailed interest rate ceilings were applied to various types of accounts ranging from transaction accounts to passbook accounts and longer-term certificate accounts. Since 1966 the thrift institutions, that is, the savings and loan associations and the mutual savings banks, have been able to enjoy a ¼ per cent interest rate differential over the commercial banks. Not unnaturally, the banks have protested about this. The thrift institutions have argued that such a differential has been essential so as to promote a healthy housing market and to compensate for the restrictions applied to the lending side of their business. During the 1970s the general increase in short-term interest rates made the interest rate ceilings more and more unrealistic and the controls were circumvented in various ways.

During the 1970s the banks and thrift institutions also began to move more strongly into each other's markets. The commercial banks' share of the mortgage market increased steadily from 14 per cent in 1965 to the end-1978 proportion of 17 per cent. The savings and loan associations sought to widen their services and in particular many, again especially in New England, began to offer NOW accounts. Basically these are current accounts on which the thrift institutions, unlike the commercial banks, have been able to pay interest.

By the end of the 1970s it had become clear that the market was so distorted and that the various controls were being avoided to such an extent that major reform was necessary. The banks criticized the interest rate ceilings on the grounds that they led to an inefficient allocation of resources. The thrift institutions, like the building societies in Australia, pointed out that they have relatively little freedom on the asset side of the balance sheet and that if they were forced to be subjected to free competition from the banks then the housing market would be adversely affected.

The debate has now culminated in a major piece of legislation, arguably the most important legislation affecting financial institutions in America since 1933. The Depository Institutions De-Regulation and Monetary Control Act of 1980 was signed into law by President Carter in March. As far as the savings and loan associations are concerned the Act has three main features:

☐ Interest rate ceilings are to be gradually lifted with the intention of phasing them out completely by 1986.
☐ State usury laws as they affect mortgage loans will be overridden.
☐ Savings and loan associations will be able to expand their services, in particular by offering a line of credit, remote service units, unsecured consumer loans, credit cards and trust and fiduciary services. They will also be able to invest surplus funds in equities as well as stocks.

There is therefore little doubt how competition between thrift institutions and banks in America will develop. They will be competing on far more equal terms in the years ahead and banks and savings and loan associations can therefore be expected to become more similar to each other. The sharper competitive environment must inevitably cause problems for those less efficient institutions, whatever they may be. Only time will reveal the exact effect of greater competition between the various types of financial institution.

Europe

Institutions specializing in the provision of mortgage loans are uncommon on the continent of Europe. Rather, housing finance tends to be provided by many financial institutions as part of the services which they offer to the public. It is also relevant to note that the level of owner-occupation in Europe tends to be much lower than in Great Britain, the United States, Canada, South Africa and Australia, and hence housing finance institutions are less significant in relation to the totality of financial institutions.

In Denmark, house-purchase is effected with the assistance of mortgage credit institutions. Most houses which are purchased in Denmark are built to order and construction finance is usually provided by commercial banks and savings banks. When the house is completed it is then mortgaged to the credit institution which provides bonds to the borrower. The bonds are then sold directly on the capital market at the going rate of interest. The institution providing the construction loan will normally make the necessary arrangements for the bonds to be sold. The bonds are, for the most part, purchased by institutions, especially insurance companies and pension funds. Thus in Denmark the question of competition between banks and specialist housing finance institutions does not really arise.

Financial institutions in West Germany are characterized by very close links between the various types of organization. Mortgage loans are provided by savings banks which operate in much the same way as savings banks in other countries, mortgage banks which raise funds through the issue of mortgage bonds, and specialist Bausparkassen or 'building-savings associations'. These latter organizations do specialize in housing finance. They operate a closed housing finance system in which the funds for mortgage loans are largely provided by potential home-buyers and a period of contractual saving is a necessary precondition for a loan. Unlike building societies and savings banks, the Bausparkassen are not deposit-taking institutions and they have no branch networks. Because the Bausparkassen depend on funds collected from potential home-buyers, they are only able to provide relatively small percentage loans and additional finance is usually required from other institutions. This is where the links between the various German financial institutions are important. There are two types of Bausparkassen. Thirteen public Bausparkassen are off-shoots of the Girozentralen which are the regional central banks for the local savings banks. Some of the sixteen private Bausparkassen are independent organizations but most are owned largely by the commercial banks and insurance companies.

House-purchase is usually effected by means of a loan package, which looks complicated but is in fact not so as far as the borrower is concerned, and is generally put together by a broker or by one of the institutions. Typically, a house-buyer will have to provide 20 per cent of the purchase price from his own resources. The remaining 80 per cent may be provided by a combination of a mortgage bank, commercial bank, savings bank and possibly also an intermediate loan from a Bausparkasse. Simultaneously the house-buyer will take out a Bausparkasse savings contract for perhaps half of the amount borrowed. After eight years he becomes eligible for his Bausparkasse loan which enables him to repay half of the first mortgage. A second Bausparkasse contract can then be opened to pay off the second half of the first mortgage. Thus, as in Denmark, the question of competition between banks and specialist housing finance organizations does not arise because of the closely integrated nature of the German financial institutions.

In the Netherlands the most important mortgage institutions are the agricultural co-operative banks which are very similar to savings banks. There are also specialist mortgage banks but these provide only about one-fifth of housing finance. They raise their funds not by taking deposits directly from the public but rather by borrowing on the private capital market and by issuing mortgage bonds. Some of the mortgage banks are owned by the commercial banks.

The housing finance system in Sweden is similar to that in Denmark in that it relies on the issue of bonds. There are three first mortgage institutions, one of which is owned by the commercial banks and a second is owned by the savings banks. The savings banks tend to purchase bonds issued by the savings bank mortgage institution and likewise the commercial banks purchase bonds issued by the commercial bank mortgage institution. The commercial banks also have a wider role in housing finance in that they finance construction and they may also provide a short-term loan at the time of purchase.

France has no major specialist housing finance institutions. Loans are provided from a variety of sources including savings banks, banks and state and semi-state organizations. In recent years, government-inspired housing savings schemes and accounts have been particularly important. These can be offered by all financial institutions but in practice the savings banks and the commercial banks are the most important.

Summary and conclusions

☐ Competition has been growing between banks and building societies in a number of countries.

☐ In several countries there are, or have recently been, enquiries into the operation of financial institutions.

☐ In Britain, building societies have been taking an increasing share of the savings market and have become dominant in the mortgage market. The banks have argued that building societies enjoy unfair advantages and also that they have been adversely affected by the operation of monetary policy. The banks have recently shown signs of becoming increasingly active in the mortgage market and they may well pose a competitive threat to societies.

☐ In Canada a number of types of institution have been active in the mortgage market. Bank involvement in the mortgage market has, in the past, been limited by statute. Since the banks have been free to compete on equal terms they have accounted for one-third of new mortgage lending. The banks have been partly responsible for the innovations in the housing finance market in Canada. In general, the Canadian mortgage and finance markets are a model of free competition and there does not appear to be the same degree of conflict between the financial institutions as in other countries.

☐ In Australia the building societies have taken an increasing share of the savings market at the expense of trading banks and savings banks. However, the savings banks remain more important than building societies in the mortgage market. The banks and building societies have accused each other of enjoying unfair advantages. The Campbell Inquiry is likely to recommend the de-regulation of interest rates and this might adversely affect societies because of the restrictions on the assets side of their balance sheet and the political sensitivity of the mortgage rate.

☐ In South Africa the banks have been gaining market share at the expense of the building societies. However, societies retain a dominant position in the mortgage market. There is currently a lively debate as to whether building societies should remain as traditional housing finance organizations or rather whether they should become more like banks.

☐ In the United States, the savings and loan associations have been taking an increasing share of the savings market at the expense of the savings banks. Thrift institutions have enjoyed a statutory interest rate differential over the banks and there has been much discussion over this issue. The thrift institutions have argued that they have needed the differential because of restrictions on their lending. A new Act provides for the gradual abandonment of interest rate ceilings together with greatly extended powers for savings and loan associations. Competition between banks and savings and loan associations can be expected to increase.

Bibliography

Evidence submitted by The Building Societies Association to the Committee to Review the Fuctioning of Financial Institutions, The Building Societies Association, 1978.

The London Clearing Banks, Committee of London Clearing Bankers, 1978.

Christopher Johnson, 'Banks and building societies – when is competition unfair?', *The Banker*, July 1979.

Mark Boleat, *The Canadian Housing Finance System*, The Building Societies Association, 1979.

Studies in Building Society Activity 1974–79, The Building Societies Association, 1980.

Mark Boleat, *The Canadian Housing Finance System*, The Building Societies Association, 1979.

R G Elston, 'The Campbell Inquiry into the Australian Financial System', *Perth Building Society Annual Report*, 1980.

J V Larkey, 'Committee of Inquiry into the Australian Financial System', *International Insights*, Vol. 1, No. 1, IUBSSA, 1980.

Savings and Loan Fact Book '79, United States League of Savings Associations, 1979.

Biographical Note

Mark Boleat is a Deputy Secretary of The Building Societies Association. He studied at the Lanchester Polytechnic and University of Reading. After teaching economics at Dulwich College and working as a research economist for the Industrial Policy Group he joined The Building Societies Association in 1974. He is the author of various articles on finance and housing.