

The Wider Search for Co-operation — Continued

IN THE BUILDING SOCIETIES

by

C.F.J. PUNT

The agenda for the Annual General Meeting of Nationwide Building Society in March 1982 was of record length. The meeting itself was long and acrimonious and excited much media attention, yet in few papers was there any analysis of the substance of this unprecedented attack on the peace of mind of the Board of the country's third largest building society, then only two years away from its centenary. The Guardian in characteristically thoughtful editorials both before and after the meeting queried the way in which societies were being run and asserted that the proposed rule changes — the content of the many resolutions on the agenda — were "those which might begin to ease the society into the latter part of the twentieth century."

The unusual factor present was that all the items on the agenda, other than the formal annual business, had been placed there by ordinary members, mainly indeed by me and I was wryly amused to find myself described by the Board of the society in an accompanying commentary as "someone without the necessary knowledge and experience of the affairs of Nationwide Building Society or of building society operations generally."

Aims of the Campaign in Nationwide

The tenor of the campaign, in which the writer of this article also stood as a candidate for election to the Board of the society, was to make the operations of the society more open and accountable to its members. The nineteen rule-change resolutions sought to provide that:

- (a) directors would stand for election every three years;
- (b) the numbers of meetings possibly and actually attended would be shown in relation to existing directors seeking re-election;
- (c) each candidate in the election of directors should be enabled to send out a short election address with material for the meeting distributed by the society;
- (d) the power by the existing directors to co-opt persons to the Board would be transferred to the members in general meeting;
- (e) that members, not the Board, would have the power to appoint to regional boards;
- (f) that the minutes of each annual general meeting would be available in every branch office;

- (g) that the fees of directors would be subject to the agreement of each annual general meeting.

Readers may well agree with the Board's charge that these proposals sought "wholesale changes".

The Tactics of Resistance:

The writer, with a modest experience of the way in which established organisations resist change, did not expect a warm welcome from those in control, but even the hardened cynic could not have anticipated the tactics they would employ.

In building societies as in companies, members with voting rights may appoint a proxy to attend meetings and vote in their place. In public companies only two-way proxies, where the delegate can be mandated to vote in a particular way, are now used, but building society law presently allows the use of non-mandatable forms of proxy. The rules of most societies, including Nationwide at that time, provide for either form of proxy to be used at the discretion of the Board. Members are not bound to use the particular document sent out by a society, but few know of their right to "hand-write" the form.

— In the Use of Proxies and Elections

Nationwide sent a proxy card to all those members entitled to vote in the open form. The card was pre-printed with the names of the Chairman and two other directors as alternative proxies, and there was no space on the card for insertion of any other name. Those wishing to appoint some other person as a proxy were advised in small print to exchange the card for a blank card at their branch office. Thus was a hurdle put in the way of those who wished to vote other than in accordance with the wishes of the Board. A complaint about this manifest unfairness brought from the Chief General Manager the memorable comment that since the Board were seeking the rejection of the proposals "the provision of a printed proxy card appointing one of three named directors as proxy . . . is in keeping with the directors' recommendation."

Further comment was superfluous, but a challenge in the High Court on the legality of what had been done was rejected for want of jurisdiction, powers of determination of such matters residing with the Chief Registrar of Friendly Societies to whom there was no time to resort before proxy voting was under way. Many members took up the unfairness of what had been done both at the meeting and in correspondence, and the pressure of criticism from this source and the media, and possibly from the Registrar behind the scenes has ensured the use of two-way proxies at both subsequent annual general meetings.

Prior to the meeting in 1983 a challenge was mounted to the legality of the Board placing asterisks on the ballot paper in the election of directors against the names of "retiring directors who are eligible for re-election."

tion". It was suggested this device was not allowed by the rules of the society, that it introduced bias on the actual ballot paper against other candidates (particularly when the requirement to vote for as many candidates as there are seats was borne in mind), and that it was misleading when used as a description of those directors who were standing for election for the first time, having served on the Board only by co-option or appointment. The challenge failed, it being ruled that the Board were entitled to use such devices on the ballot paper.

— And about Proposed Changes of Rules

One of the problems facing the member proposing resolutions is that there is no right in law, nor under the rules of any society so far as the writer is aware, to explain in the documentation sent to members the purpose behind a proposed rule change. An attempt to word rule-change resolutions so as to include an explanation of their purport was thwarted prior to the 1983 meeting by the Board deleting all wording from the resolutions sent to members other than that which constituted the actual rule change. Two resolutions were ruled out of order and excluded from those sent to members on the basis that they did not constitute "special resolutions". The definition turned on a rather technical interpretation of the joint effect of the rules and the Building Societies Act of 1962.

Further disputes were heard before the Registrar on the legality of the alteration of resolutions by excision and the exclusion totally of two resolutions. These matters were determined by way of a detour through the Chancery Division of the High Court for points of law to be clarified. The judge reserved his decision — the judicial equivalent of a football match going into extra time — and then rules that applying the blue pencil test to resolutions was in order but that the two excluded resolutions had been valid. These were to any objective observer hardly of a revolutionary purport. One of them sought merely to approve of the Board's change of position on several minor points, whilst the other sought to ask the Board to refer the question of practices in the election of directors to the Electoral Reform Society for advice, with a report to go to the next annual general meeting!

A Case from the Board?

Amidst all the hand to hand combat enacted at meetings and in documents sent to them perceptive members may have noticed a dearth of reasoned argument from the Board on why all proposals of ordinary members for change should be rejected. In 1982 it was suggested that the proposals should be rejected because there had not been time for the Board to give them full consideration. Discussions with the Chief General Manager on the merit of the proposals subsequently were not fruitful and the 1983 agenda again contained many resolutions by members. On this occasion the Board's theme was that new building society legislation was anticipated in the near future and that the proposals would be examined in the

comprehensive review of the rules which the legislation would necessitate. Seemingly the "wait and see" principle was not to apply to Board proposals for in 1984 in one resolution, and without any detailed explanation of the changes being made, the Board successfully sought approval for the complete substitution for the rules of a new set.

The detail of this infighting makes sorry reading for those in favour of democracy in member-based organisations. More depressing yet is the knowledge that the Nationwide rules are in most respects no worse than in most societies, save in particular the requirement of multiple voting in elections of directors. This knowledge led to the formation by the writer and others in 1982 of the Building Societies Members Association (of 107 Pilton Street, Barnstaple, EX31 1PQ) with the object of advancing the interests of all Building Society members by pressing for necessary changes in the law and Building Society rules, and by providing advice, information and other services.

What the B.S.M.A. Wants

Progress by the Association has been modest. It has become a focus for those in many societies who desire real member participation in their running. Publicity has heightened public awareness to some degree of the concept that customers of societies are members, not just depositors or borrowers as in a bank. Most importantly useful contacts have been built up with members of both Houses of Parliament, consumer organisations and the media. These will prove invaluable in advocating the case for members when the Green Paper on Building Society legislation is promulgated for discussion soon.

It is certainly time for stock to be taken, for Building Societies are at a crossroads. The number of societies decreases apace with a handful of the largest accounting for well over half the vast assets of the movement. The final brief of the Building Societies Association sees the forthcoming legislation as greatly extending the power of societies to take on new functions whilst reducing still further the rights of members to participate. Yet the concept of member participation will remain. One might ponder reasonably on whether the views put forward by the Building Societies Association accurately reflect those of the Boards of the medium sized and smaller societies comprising the majority of its membership who were not represented on the Spalding Committee which prepared the brief. The wider membership of societies has not been consulted; researches have not indicated any society where its future and that of the movement as a whole has been the subject of debate at a general meeting.

Increasingly the populace expects to exert some influence in those areas of general importance in life. Consultative councils are *de rigueur* in the nationalised industries. Societies play a vital part in the aspirations of ordinary people to be reasonably housed, and are the haven for the savings of the majority of them. Cogent arguments would have to be made to justify "them" running the societies without let or hindrance from "us".

What is needed is more thought and effort in harnessing democracy and efficiency to keep vital these organisations.

Note of the Author

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