Draft Speech on Banking & Insurance

In 2008, a crisis that began in the financial sector spread throughout western economies and created the most severe downturn since the Great Depression of the 1930s. To prevent the sector's collapse, the state was forced to come to the rescue. The losses incurred by the taxpayer through these bailouts, and the recession that followed have resulted in years of austerity and damaged living standards. It is essential that action is taken to ensure that no business can ever again be 'too big to fail'.

This means putting more effective regulatory measures into place. But it also means understanding the dangers posed by a lack of corporate diversity. If a sector is dominated by a number of businesses operating under a similar model, which mimic one another in their structures and in their approach to risk, then it will be more vulnerable to shocks that effect this form of ownership. Expanding the number of co-operatives and mutuals operating in banking and insurance can form a major part of this push for greater diversity in structure, as well as enabling the financial sector to offer greater stability and affordability to the public.

Since co-operatives are ran in the interests of their members, they are not under pressure to provide a quick return on shareholder investment. This is important, because it means they can channel money toward improving services and lowering prices and take a longer-term view when managing risk. For this reason, co-operative banking has proven to be more resilient during the financial crisis than other forms of ownership. Mutual insurers have not needed to be bailed out by the state to any significant degree.

Co-operatives have also been able to step into the gaps that the larger shareholder owned firms leave open, such as by providing communities with stronger branch networks, or with a more personalised service that is more accommodating to the needs of the individual. By offering products that are of better quality and value, they force shareholder owned firms to improve their services, driving competition within these markets, and benefiting consumers.

Co-operatives and Mutuals have long operated in Banking and Insurance. Before the advent of the welfare state, it was co-operatives who pioneered the concept of social security through the collective provision of health, property, and life insurance. Co-operative Banks hold over a quarter market share in six European countries, and operate well known institutions such as Credit Agricole, and the Raiffeisen Banks. But despite this success, several EU member states still have little to no co-operative presence in financial services.

Policymakers must address the legislative and regulatory barriers that have prevented a co-operative option from taking root in these nations, so that consumers can have a full degree of choice throughout Europe. This should be part of a wider strategy to ensure greater diversity in ownership throughout the financial sector. This means working to ensure that co-operatives are permitted to offer banking and insurance products in every member state, that regulation should recognise the unique needs of the co-operative business model and facilitate its continued growth, and that mechanisms should be in place that allow them to raise capital from both investors and members alike, whilst still preserving the principle of equal ownership on which they are founded.

Strengthening co-operative banking and insurance through these and other measures can help us to bring about an important shift in the culture of financial services, offering consumers better products and lower prices, as well as bringing stable and inclusive growth to the wider economy.

Questions

- What can be done to promote the benefits of co-operative banking and insurance to the public?
- How can co-operative banking and insurance expand into EU member states where it does not currently have a significant presence?