



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Please note: This letter has been prepared for the website. Square brackets show where this letter may differ slightly from those versions sent directly to firms.

Chief Executive Officers
Non-systemic Building Societies

[Mel Beaman
Director, UK Deposit Takers
Prudential Regulation Authority]

31 July 2020

BUILDING SOCIETIES SOURCEBOOK – FIXED RATE LENDING GUIDELINES

Dear Chief Executives

This letter is in response to a BSA suggestion proposing a six-month suspension of the relevant guidance levels on fixed rate lending limits in the “Specialist Sourcebook”.

As you are aware, the Sourcebook is guidance, not rules, and intended specifically to achieve alignment between risk appetite and risk capability. We believe it has played its part in the improvements to risk management and governance that we have witnessed across the sector since the global financial crisis. It is also open to any Society to apply for an extension to any of the guidelines and many of these have been agreed without (in our opinion) undue process, including a number of extensions to fixed rate lending risk appetites.

Nevertheless, we acknowledge the desire of some Societies to be able to react more quickly in the current environment, and agree to suspend the relevant guidance levels on fixed rate lending limits in the Sourcebook for an initial period of six months, running from Saturday 1 August 2020 to Sunday 31 January 2021.

The only proviso we set is to limit any self-administered extension to 10% above the lower of the Sourcebook benchmark or the Society’s current limit, and still expect boards to undertake the appropriate risk assessment (as detailed in Supervisory Statement 20/15) before undertaking any such change. We also ask Societies to inform us (after the event) of any changes you make in this respect, together with sight of the relevant board minutes.

We will review this Covid-19 related dispensation prior to Sunday 31 January 2021. If you have any queries, please direct them initially to your supervisory team.

Yours faithfully

Mel Beaman
Director