

Business focus – Paul Denton of Scottish Building Society

Paul Denton is the CEO of the Scottish Building Society and is just newly appointed to the post, travelling in to his still relatively new office from Fife every day.

He explained when we met : “This is week five and along the way I have spent a lot of time out with our key stakeholders so I have met our internal colleagues as well as a lot of members at our recent AGM which was just prior to me starting. I’ve been out visiting a number of Edinburgh agencies which is a key part of our overall proposition.

“I have also met with a large number of our mortgage intermediaries which is also important to us. Getting to understand the business and meeting our key stakeholders in the first few weeks has been incredibly important for me.”

The Scottish Building Society is a members owned building society, owned by its 33,000 members. The organisation has 80 people working directly for SBS. The HQ is in Dalry Road and has a branch attached to it. They welcome anybody to the branch who wants to visit, and customers or potential customers will soon have a new branch in Glasgow too.

Mr Denton explained : “We are a very traditional building society. Of all the building societies left across the UK we are the oldest remaining, established in 1848. Our business is formed from retail deposits from our members and we lend on residential property here within Scotland.

“Put simply, people deposit funds and we lend out for the

purchase of homes.

“We are in profit and throughout the course of the last 10 years – which have been difficult for a lot of financial services – we’ve had sustained growth throughout that period. We’ve benefited from a prudent approach to lending – a very Scottish prudent approach to lending over the course of recent years. That has stood us well through some difficult times for financial services.

“But inevitably we have come out of the financial crisis far better and far stronger. For myself coming in as a new CEO I feel very blessed that our balance sheet is actually in a very healthy position, and we have strong reserves that we can grow from.

“We don’t pretend to be the scale and size of Lloyds or RBS. We are a small player within the market. We are well funded on our balance sheet and we are well controlled from a credit position.

“And we are blessed that our members trust us with their deposits and we therefore have money to lend out to potential new borrowers.”

The Scottish Building Society has loaned out £327.3 million to borrowers. Mr Denton explained that he was aware of the responsibility of that lending. He said : “Our role is to ensure that we are sensible with how we lend that money out.

“And that is part of the reason why we have such a strong balance sheet. But ultimately we must remember that people are buying their homes. We could talk about mortgages or we could talk about assets, but essentially these are our members’ dreams in some cases. The home that they have purchased gives them their own security and peace of mind so we’re helping on so many fronts by helping them finance their home.

” I think the difference for the Scottish is the personal

touch. We individually look at every application on a personal level. It's not credit scored, it's not taken through a large algorithm as to whether it fits our model etc. We genuinely have underwriters sat upstairs who will personally review every application and make a decision on that.

“Whilst everybody doesn't have their own bank manager based within the local communities, the decisions are still taken by human beings reviewing the application. Some people still have passbooks for their deposit savings. One of the things which is important is that people love passbooks, they love that tangible feel. I think they like to see their interest added on in the book too. “

So the personal touch is key to what the Scottish Building Society offers (and they do now offer online accounts too). They don't have a large branch network across Scotland as they only have six branches. But they work with 45 partners across Scotland in their agency network. This High Street presence adds to their presence in towns away from the big cities. So rather than driving down the M6 every Monday morning Paul will be planning journeys to some very pretty parts of Scotland quite soon.



Scottish Building Society Chief Executive Paul Denton at their offices in Edinburgh. © Malcolm Cochrane Photography
In Manchester he was working with Cooperative Bank initially

and then he became the Managing Director for Cooperative Funeralcare. He said : "It was a very interesting move. There were a lot of similarities as both businesses have regulations and are facing digital changes. But much more relevant to the role I have here is that it was a people business based in local communities. The learnings I took from stepping out of financial services for 18 months I believe has revitalised my energy and passion for being local and being a people based business."

The front line staff are the most important people in the organisation.

Paul Denton is a rugby man, but displaying a certain diversity the Scottish Building Society (SBS) names the Scottish Women's Premier League among the bodies it offers support to. Admittedly this was one sponsorship which Denton inherited, but he is extremely happy that SBS showed a certain foresight in supporting women's football. He said : "I personally would like to use the opportunity that we have from a sponsorship perspective to support grassroots where I truly believe our future Scottish sport success lies. We will not be the next Six Nations title sponsor, but I think we can have a presence in our local communities and support youngsters in their dreams and aspirations."

He is just brand new in post, having taken over from Mark Thomson who stepped down as Chief Executive earlier in the summer after six years at the helm of the 170 year-old society. He reports to a board under the chairmanship of Raymond Abbott and the whole board is responsible for reporting to the members of the society at their annual general meeting.

Denton has worked in financial services for 30 years beginning his career in RBS in Forfar. He worked through RBS and saw the many changes that the old Royal Bank of Scotland went through

as it came together with Natwest. He said : “From my perspective it was a fantastic apprenticeship. I had the opportunity to work across the UK in a number of roles both Head Office and working direct with customers.”

Denton was able to add to his own education with an RBS programme run by Harvard Business School in Edinburgh for the bank’s senior executives and leaders. He very much enjoyed this saying : “I think it opened my eyes beyond just Scotland as a financial services provider, and introduced me to global trends. After that I studied for an MBA at Edinburgh Business School and I think the wide range of management skills that an MBA brings you stands you in good stead for a role like CEO where you are not necessarily the specialist but you do need to understand the various functions that are within your remit.

“Equally, I then moved on to Cooperative Bank where some of the issues they went through are also well-documented. But they never lost sight of cooperative values and that is particularly important working in a mutual organisation. It is incredibly important never to forget the structure and the purpose of the business that you are working within.”

He understands that he has benefitted greatly from a number of mentors over the years, and says that he is now at a point in his career where he feels it is time for him to do the same for others, emphasising that personal development for staff is key.

Denton has plans for the future too. He explained : “One of the first things I want to do is ensure that we continue to remain relevant going forward. Both the mortgage and the savings business are increasingly competitive with new entrants into the marketplace and equally there is pressure on price and margin, as well as the anticipated customer experience. For me it is about knowing who you are within a large market. We will not under my remit ever pretend to be

one of the larger players. We understand that we are here for our members and we will offer products that are particularly relevant and fit with our model of manual underwriting.

“So here a number of our members are looking for second homes, either as a second home or as an investment to take advantage of the market across Edinburgh. We are literally just launching a new product that will focus around Airbnb as a potential income or for holiday let purposes.

“Elsewhere in Scotland there is a large demand for self-build type property and we are very active in that market. This allows us to stage release the funds as our team of underwriters have the experience to do so which is critical. So we can play to our strengths in that regard.

“We need to be modern as well, but that doesn’t mean stepping away from our own traditions. We need to offer choice and particularly to ensure that we appeal to younger members. We are in the midst of a programme to digitalise our savings and our mortgage propositions.”

The Scottish Building Society envisage this form of online account or application process will appeal to old and young alike.

The number of building societies has decreased in the last 20 years and so Denton has his eyes fixed on the future. He said : “For me it is about looking forward not just two to three years and potentially not even five to ten years, but we have 170 years of history behind us so I need to plan on a longer basis. This will allow us to continue to remain relevant for our members. I don’t immediately have the answers for this but I will be speaking to a lot of our members to understand what they want.”

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