



## **AVON MUTUAL LIMITED**

### **A NEW COMMUNITY BANK FOR THE WEST OF ENGLAND**

#### **About Avon Mutual**

Imagine a bank rooted in and owned by its community, and with a mission and business model not to extract value for the few but to mutualise the benefits of finance for all. A bank that helped build a new sustainable and inclusive economy for its region. Now this no longer has to be the stuff of dreams. With your support we are making this a reality here in the West of England and pioneering a model others will follow across the UK.

Avon Mutual is a launching regional full-service community retail bank in the West of England. It will offer current accounts, deposits, loans and mortgages to individuals, the self employed, SMEs and the third sector. It will offer online, phone and branch distribution channels. And it will help support the transition of our local economy towards an inclusive and sustainable future.

#### **Why we need a different kind of bank**

Britain is a banking outlier with increasingly remote, centralised, profit-first banks poorly suited to the complex and demanding needs of today's society and small businesses. In fact, most post-industrial OECD nations have much greater banking diversity than the UK, featuring models commonly referred to as "stakeholder banks" or "values based banks". In Germany for example 64% of banks are regional and stakeholder banks.

Regional community banks, in touch with and supporting their local economies are commonplace in continental Europe and the USA. Many studies have shown how these community banking models can deliver better economic, environmental and social outcomes for the regions in which they operate.

These banks keep local lending circulating in regional economies and thus spread economic activity far better across economies not just in capital cities. They lend a far higher proportion of their assets (the majority) to the real economy and to small businesses instead of the speculative economy big banks focus on. They build economic resilience by not chasing fast, short-term profits, and so make their economies far more resilient to shocks like that of 2008 and Covid-19. They also focus on customer service and on building trust, rather than only delivering returns to shareholders. Avon Mutual aims to replicate the successes and best practices of these values-based banking models across the West of England.

At Avon Mutual, we see an opportunity to bring many of those social and economic benefits to the communities of the West of England. Delivering accessible customer-first retail banking through a network of high street branches led by local relationship managers with a sound local knowledge and the time, scope and resources to build valued working relationships with local people and small businesses.

Putting economic, social and environmental impact and fairness squarely alongside profitability allows us to make the decisions and support the customers that many old school bankers would love to be able to make if only their head office profitability targets allowed. We are a for-profit entity but we also want to be doing the right thing.

Not only is this a better, fairer way of doing business, but evidence suggests that it also makes for more robust banking that overcomes the information asymmetries that hold establishment banking back, and is more resilient and agile in macroeconomic downturns.

### **Inclusive banking**

We will proactively support as many of the near 40,000 adults in our region without a bank account, making it easy for them to open an account even if they don't have any of the proof of identity documents that mainstream institutions insist on. This will dramatically improve their ability to avoid the poverty premium associated with not being able to pay by direct debit, and enable them to access retailer discounts and other benefits previously closed off to them, releasing a potential saving estimated at up to £320 a year per person.

Over half a million people in the West of England are living on low incomes. In fact a number of the region's wards are among England's most deprived 10% and a few the most deprived 1% in terms of multiple-deprivations. However, the region is also home to some of the most affluent areas in the UK, often side by side with the poorest. Our aim is to serve both; combining a full suite of state-of-the-art competitive and accessible retail savings, loan and mortgage products with a distribution and service capability that even the 160,000 who can't or don't use the internet can benefit from.

A real issue, even for people with functioning bank accounts, is the lack of available choice of credit products. So, everyday domestic issues that might seem trivial to more affluent people well-served by the market can turn into major – and crushingly expensive – financial crises. Avon Mutual will not only make safe credit more readily available to people on low incomes, but in doing so will help them build a credit profile that opens up better access to credit markets in the future.

### **Ecological banking**

Our lending policy will not only prioritise small business and personal lending over residential mortgages, but we'll also unashamedly prioritise lending that supports the transition to a fairer, more sustainable, resilient future. We'll put low carbon energy and property customers ahead of the queue, alongside businesses seeking to transition to a more resilient operational future. For example the 'conventional' farmer looking to change to organic standards, or the delivery business transitioning to carbon neutrality.

For residential mortgages, we'll prioritise green new builds and home improvements, remortgages, shared ownership and main residence purchase. Across the board, our environmental and social governance (ESG) principles will be baked into our culture, and our operating policies and practices.

### **SME business banking**

Nearly 300,000 self-employed people and small businesses call the West of England home. A tremendously diverse group, from the high tech innovation hubs of Bristol's city centre to the region's rural tourism and agriculture businesses. From the larger, established, household names like Pukka, Bart, and Yeo Valley, to charities such as the Soil Association and Sustrans, and the thousands of start-ups creating employment and opportunity from scratch.

With a focus on cutting costs to maximise profits, the established banks have also increasingly left small businesses – and particularly cash-based businesses – high and dry. We'll seek to redress this shortfall by offering small businesses the support, and importantly the access to credit, that the big banks reserve for their most profitable customers. Our products and services will understand and cater for the issues faced by the region's businesses. For example, those agricultural or leisure

businesses with very specific challenges around cash flow and risk. Our high tech and innovative branch based relationship managers will get to know these businesses, their owners and the issues they face, and will be equipped with the resources, products and flexibility to offer solutions to meet their needs.

### **Our Economic, Social and Environmental impacts**

Sustainability, inclusivity, climate and nature emergency are all themes which have risen to the top of all our agendas in recent years. These subjects are at the heart of our mission and vision.

Unlike all other types of businesses, the beauty of a mission oriented, values based bank's unique role in these issues is by virtue of the multiplier effect banks have and the way they touch every part of our economy through the lives of individuals and through supporting sustainable and inclusive SMEs and start-ups.

Our bank can therefore play a unique multiplier role in a systematic transition in a regional economy to a more sustainable and inclusive footing.

If you want to start a sustainable brewery, a community renewables coop or you want a 'green' mortgage or organic farming transition loan you need a local relationship focused bank that understands these issues and cares enough to interpret these things into their business model. And if you want an inclusive economy you need a bank that can act inclusively. We need such a bank at the heart of all our communities and we are privileged that here in the West of England we will host the UKs first of such banks.

The bank's mission is built around three pillars of economic, social and environmental issues. We currently evolving detailed impact assessments and metrics for our impact framework and have already identified the following preliminary headline impacts that give a sense of what we will deliver:

- Balance sheet lending of £0.6bn and cumulatively lending over £1.2bn by year 10.
- Local multiplier economic impact of £740m-£1.7bn in the first 10 years of operation, excluding any economic impacts from financial inclusion and mortgage lending.
- 79,000 jobs created or protected through our lending and operations.
- Serving more than 15,400 SMEs, including sole traders, urban independents, and 3,300 charities and other mission driven businesses.
- 66,800 individual customers of which more than 10,300 will be financially vulnerable.
- 2,200 unbanked people brought into the financial system with their own current account, producing at least £700,000 saving per year on the Poverty Premium.
- £0.9m saved in interest for vulnerable customers not using high cost credit.
- £533m of our assets based in the 'real economy' rather than the speculative 'financialised' economy.
- Deriving £155m of our revenues from activities in the real economy (75%).
- By Year 10, £390m assets will be with projects that create a positive social, economic, or environmental impact.
- There will also be significant alignment with and reporting across issues including UN SDGs, carbon emissions, pay ratios, diversity metrics and other areas of social and ethical relevance

### **Branch, digital and telephone banking**

One of the most noticeable differences Avon Mutual will bring will be our presence on the high street. The West of England has lost a staggering 47% of its bank branches in just the last six years, leaving many communities without a bank, without face-to-face support and without easy access to cash. The impact of this on high street health is well documented, and coupled with changes in physical and online retail, many high streets are in steep decline with a severely damaging impact on footfall, the local economy and the independent small and micro businesses that used to be their mainstay.

Melding the latest fintech, digital, phone and face-to-face technology, and based on detailed national and local market research showing a significant demand for branches, Avon Mutual plans to open new branches on high streets, community centres and in areas others have abandoned. We see contributing to the regeneration of forgotten communities as an important and significant part of our commitment to local people, the businesses they support, work in and own, and to the economic ecosystems of which they are a part. Through this work we aim to have partnerships with those flagship businesses, community groups, key infrastructure suppliers, academics and councils, and see working together for the benefit of often disadvantaged communities as both a responsibility and a business opportunity.

Our expectation is that at current trends of branch closures our branch base will grow to represent 10% of the total number of the region's bank branches over our first ten years of operation. We currently plan to open 20 branches across our region.

### **Our bank's role in levelling up and building back better post COVID**

Adding more momentum to our plans, a major report in 2020 from the Royal Society for the Arts (RSA) championed our crucial role in building back from COVID. *The Road to Resilience: How Community Financial Services Can Help Level Up Britain* is a whole-hearted rallying call for the Levelling-up and post COVID build-back which our banks can be a key player in. It emphasises how the current highly concentrated, non regional and non mission oriented UK banking sector has failed to help businesses recover from COVID and how our sort of regional and values-led banks in other countries like the US and Germany have been able to provide far better bank support to local businesses for COVID recovery. The report calls for significant support from Central Government and details the many ways our banks will support our national and regional economies.

### **The journey so far**

Avon Mutual is a cooperative society incorporated under the Co-operative and Community Benefit Societies Act 2014 (CCBSA).

In 2014 the reform of the industrial & provident society legislation by the CCBSA allowed co-operatives to hold a deposit-taking licence for the first time, clearing the way for full service high-street retail banks to be funded by their customers as shareholder-members.

In response to this new law, in 2015 a long-serving RSA Fellow paved the way for a network of regional co-operative banks across the UK, a move backed in 2017 by the RSA's Inclusive Growth Commission.

As an active Fellow of the RSA, Avon Mutual's Founder Jules Peck followed these initiatives closely and in 2018 started the process of setting up Avon Mutual in the West of England region. Other banks are now being founded and planned in places such as the SW, NW, NE of England and in Manchester.

Now, some three years on, Avon Mutual have submitted our first draft regulatory business plan (RBP) – a detailed 370 page document describing the bank's plan – to the regulators, the PRA and the FCA. This is the culmination of many years of collaborative preparation, research, thought and effort, and a major milestone in our intended journey to be granted a full banking licence.

In September 2020 this RBP was cleared by the regulators to pass into stage two of the three stage pre-application regulatory process known as 'Feedback' stage. As of June 2021 we are finalising an updated version of the RBP based on this feedback and on our ICAAP and ILAAP capital and liquidity plans for review by the regulators in order to reach the final key milestone before final licensing known as 'Challenge' stage, which we hope to enter in the autumn of 2021. Challenge is a key milestone as few banks fail to gain a licence once they reach this stage.

As well as continuing to progress our bank licence application we have been hard at work developing our Social Economic and Environmental impact framework in consultation with community and business organisations across the region. We are also pleased that in June 2021 RSM Corporate Finance has commenced the second (impact) phase of due diligence for Bristol City Council and other Local Authorities to support their decisions on major capitalisation of the bank. We have also undertaken more detailed market research with Opinium and with partners across the region to better understand the banking needs of the region and to refine our proposition.

### **Our supporters**

We have a growing list of [supporters](#) across the region and in key roles nationally and have had support for the bank from businesses and business networks, community faith group and leading figures from across the region.

Having recently had local elections we look forward to working with the new WECA mayor who is supportive of our plans as well as with new leaders and councillors across the region and we are pleased to have cross-party support from MPs, Council Leaders and councillors right across our region.

For example Danny Kruger, Devizes MP called for government support of our bank in his recent [Levelling Up Communities](#) report to the Prime Minister on levelling-up after COVID saying *"We need a new era of community power to replace the era of large public and private bureaucracies....The allocation of private capital in the UK is too short-termist and, by reinforcing success in the South East and the big city centres, it perpetuates inequality between and within regions. A necessary corrective to this is a proper regional banking system, which understands the strengths and needs of an area and supports local businesses over the long term. Good work is being done in this space."*

Similarly Salisbury MP John Glen, Financial Secretary to the Treasury and City Minister, has said *"The Government welcomes the efforts to establish regional mutual banks and recognises the importance of diversity in the banking system. Officials have been engaging with prospective mutual banks over their efforts to raise capital and look forward to further discussions. Your vision for the benefits which mutual banks rooted in local communities could create is compelling and I welcome your efforts to establish regional mutual banks."*

In addition it is great to have great support from key figures in Parliament including Kevin Hollinrake MP Co-Chair of the [APPG on Fair Banking](#) who has said of our movement *"Given what's at stake and the imperative of building an economy that serves our mutual interest, utterly compelling"* and the APPG Vice Chair Lord Holmes who has made [proposals](#) for support for our banks. Bank Of England Governor Andrew Bailey has been [vocal in his support](#) for our model and it's also exciting to have Andy Haldane, until recently Chief Economist at the Bank Of England, [championing our local banking model](#) and joining as the new CEO at the RSA, who initiated our movement back in 2017.

We are proud to have a number of our supporters writing [supportive words](#) including David Sproxtton CBE, a supporter and investor in Avon Mutual, and Founder of Aardman Animations who says *"Having grown a business from a 2 man concern to one employing hundreds of people, working in a very competitive international market, I know that the relationship you have with your bank can be critical, especially if you are operating in an emerging sector or one deemed to be risky' in a conventional bank's view. There needs to be someone at the bank who can listen, understand and be willing to support the*

*business in the medium and longer term. The big retail banks are not set up in this way, being driven by shareholder value and quarterly reports. They tend not to be concerned about being part of the locality, having little local autonomy in terms of how they operate. It wasn't always like this and it doesn't need to be like this, as other countries can demonstrate. So I am very pleased to see the return of the mutual movement in the UK and especially here in the Bristol region with Avon Mutual being established, as a community owned bank, focused on inclusive and sustainable regeneration for our region. It really is something to celebrate. "*

Mehjabeen Patrick, Chief Finance & Investment Officer at Creative England & Creative Industries Federation, Investment Committee member of the British Design Fund and Board member of the University of Gloucestershire says "*Having started my career in a women's only bank in Pakistan I know how crucial a bank rooted in its community and understanding its community's needs is. Working in the creative industries I also know how good it will be to have a bank that emphasises relationship banking and takes the time to understand small and creative enterprises. I'm very excited about the plans Avon Mutual has to help build a more inclusive and also a more sustainable economic future for our region".*

Similarly Colin Skellet OBE, CEO of Wessex Water, Chair of the Bristol Merchants' Academy schools, of Visit Bath and of YTL Land and Property and Hotels and past Chair of the WoE LEP has said "*Avon Mutual is making tremendous progress with the ambitious aim of by year 10, lending £0.5 billion of local money and having 20 staff branches. It is great to see the priority being given to environmental impact through green mortgages and retrofit secured loans. Avon Mutual is becoming a major contributor to the economy of the West of England."*

Marcelle Spellor OBE, a supporter and investor in Avon Mutual, Founder Holiday-Rentals.com, of Localgiving and trustee of New Philanthropy Capital has said "*I have always believed in supporting local initiatives and communities. I founded Localgiving in 2008 and the platform has raised over £30m for local charities since then. So I am particularly please to see that Avon Mutual is doing so well and by year 10 the bank aims to be lending more than £0.5bn of local money within the local economy."*

Andy Street, a supporter and investor in Avon Mutual and Chair of: Christian Action Bristol; Bristol City Funds; InHope and of Fair Share SW has said "*As Chair of City Funds I'm passionate about seeing the emergence of a more sustainable and inclusive financial system acting for the benefit of all in our region. In these tough times, with Covid-19, the needs are even greater. I'm hugely encouraged to see the emergence of Avon Mutual, and I'm confident that it will have a very significant and positive economic impact on Bristol and the wider region. The venture has my full support."*

Caroline Lucas, Green MP and twice Leader of the Green Party has said "*It's exciting to see a new bank emerging for the West of England, offering services that keep much more money circulating in the local economy for longer while supporting the transition to a greener, fairer economy. We urgently need a network of regional banks like the Avon Mutual, across the UK, to increase the resilience of our local economies, support the dynamic small businesses that are the lifeblood of our communities, increase financial inclusion and to ensure that finance can flow where it is needed to green the UK."*

David Freed, a supporter and investor in Avon Mutual is Founder of Deeley Freed Estates and of The Park Community Centre as well as Senior Warden and next Master of the Society of Merchant Venturers and has said "*I was very excited by the idea of a bank specifically focussed on this region and set up to take a long-term view assisting small businesses. This is a concept which is very familiar elsewhere in Europe but which, sadly, has been rare in the UK. It is a pleasure to support Avon Mutual which has a strong team in place to turn the concept into a reality. I hope the bank will provide a big boost to the commercial scene in the South West."*

Rhian-Mari Thomas OBE, CEO of the Green Finance Institute and ex Global Head of Green Banking at Barclays has said "*At the Green Finance Institute we believe that to achieve the transition to an inclusive,*

*net-zero carbon and climate-resilient economy, both public and private finance is needed. So I'm delighted to see the partnership between the West of England's Local Authorities and Avon Mutual. I'm so impressed with the work Avon Mutual are doing to create a new form of bank which focuses on local knowledge and local relationships to develop financial products such as green mortgage and other sustainability solutions. I look forward to continuing to collaborate with and support Avon Mutuals work".*

Trevor Osborne, a supporter and investor in Avon Mutual is Chair of the Osborne Group, a Trustee of The Holburne Museum, a Governor of Bath Spa University and a member of the Bath Initiative and Greater Bath Ltd and has said *"I am very pleased to note the tremendous progress which has been made. The emergence of the Bank comes at a time when it will make a major impact giving our region's residents and businesses the opportunity to bring forward initiatives which respond to local and national policies to achieve climate change with enormous benefit to the local economy."*

Karen Morgan OBE, a supporter and investor in Avon Mutual, Merchant Venturer, Chair of Trustees, The Converging World and of The Door, Trustee of Friends of the Cotswolds and of Caring for Communities and People has said *"Avon Mutual is a great idea in the making providing customer focused retail banking services which embrace sustainability and are value driven."*

Molly Scott Cato, Economic Professor and former Green Party MEP for the West of England has said *'As we move rapidly towards a sustainable future it is vital that we have investment that builds our local economies rather than taking money out of them. This is the beauty of a regional bank and it's why I am so delighted that we are seeing such exciting progress towards the launch of Avon Mutual. Nothing is more important in making sure that economies work for all of us without trashing the planet we share.'*

Cheltenham resident Sir Jonathan Porritt CBE, a Founder and past Chair of the Green Party, NED at Wessex Water has said *"Most of today's discourse around 'Building Back Better' is far more about rhetoric than substance. Plans for the Avon Mutual Community Bank offer real substance, on the ground, across the region, addressing the needs and opportunities of the whole economy, in ways that more than meet people's higher expectations on fairness, climate and sustainability. This is a hugely exciting development for the Avon region."*

### **Our Non Executive Board**

The Board currently comprises four Trustee Directors with a considerable and diverse range of business, banking and board experience. We are in the process of appointing one additional NED.

**Graham Hughes** - Chair and Trustee Director. A PRA/FCA approved person and qualified (non-practising) Solicitor with significant banking experience who founded and ran a bank which was later sold to Virgin Money. He is on the Board of Yeovil District Hospital Trust where he chairs the Trust's Workforce Committee and Remuneration Committee.

**Jules Peck** - Trustee and Founder Director. A social entrepreneur and Institute of Banking Certified Bank Director. He is also a Fellow of The Democracy Collaborative and of the New Economics Foundation, and has been a Founding Trustee of the pensions advocacy group Share Action and a board member of Banktrack as well as Chair of Edelman's corporate purpose practice.

**Richard Warrington** - Trustee Director. A PRA/FCA approved person with significant compliance, risk and controls teams in banks, insurers and building societies including Nationwide, Lloyds, Natwest and Woolwich.

**Ewan Silver** - Trustee Director. Ewan is CTO and Co-founder of 11FS, a leading fintech consulting and design agency. Prior to setting up 11FS his past roles include CTO and early technology designer for Nutmeg as well as a founder of the challenger bank that eventually split to become Starling and Monzo.

### **Fund raising**

In September 2020, having successfully raised first round Founder Shares funding of almost £1m from a variety of investments and grants from Local Authorities, Foundations and local high net worth individuals we launched the first phase of a total second round fund raise of c£3m through the issue of Development Shares and fundraising from grants.

This second round pre launch c£3m funding allows us to complete the process of regulatory authorisation, and to complete the infrastructure build and preparations to take us to launch, planned for late 2021 or early 2022.

Having successfully raised the first phase £750,000 in 2020, in June 2021 are launching the second phase of our round two Development Shares investment round seeking to raise up to £2.5m.

We anticipate that a final third round of c£20-£25m of capitalisation funding in 2021-2022 will be required to support operations post-authorisation. These final funds will not been drawn down until we have been rewarded a banking licence and passed the very highest bars of due diligence undertaken by the FCA and PRA regulators. In terms of this final capital raise, in September 2020 we completed the first phase of RSM Corporate Finance's due diligence for a consortium of the region's Local Authorities led by Bristol City Council (BCC) in connection with potential major investment in our final investment raising in 2021. On the basis of this first stage due diligence BCC's cabinet has recently signed off a further £200,000 investment in AM plus an additional £50,000 for second phase due diligence for investment in our final capitalisation.

Round one and two investors understand and share our vision and values and were willing to invest an initial small amount at this early stage of our journey to authorisation.

The first of our two new grants is a £200,000 award from 30 Percy, the sustainability and inclusion focused Gloucestershire foundation of the family who founded Ecover/Purpose. We were delighted to be awarded this grant because of the foundation's match of values and outlook with our mission. We were also delighted that one of our previous grant funders, Open Societies Foundation, who in 2020 awarded us an investment readiness grant of £200,000 from their Economic Justice Program, awarded us a second investment readiness grant of £125,000 in January 2021 and continues to show interest in major investment in shares to help capitalise the bank.

### **To find out more**

If you are interested in finding out more, please email our Founding Director, Jules Peck at [jules.peck@avonmutual.org](mailto:jules.peck@avonmutual.org) or call Jules on 07920 844 802. We'd love to welcome you to our community.