



Closing the Gaps: Building Financial Resilience

Proposals to Grow the Financial Mutuals Sector

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Executive Summary

In 2024, the Labour Party published a Manifesto with a plan to change Britain. **That included a commitment to doubling the size of the mutual and co-operative sector.**

This paper makes the case that prioritising this commitment will improve financial outcomes in the UK, especially in underserved communities, and boost the wider economy. Through long-term and sustainable growth of the sector, we can help the Government achieve its objectives, including:

- Strengthening individuals' financial resilience.
- Reducing pressure on the state.
- Encouraging wider investment across the UK – beyond London and the southeast alone.

Mutuals are ideally positioned to advance these objectives because:

- We have a longstanding, historic mission to deliver value in the best interests of our members. We do not have to consider short-term shareholder interests – which enables us to better support the Government's long-term policy objectives.
- We understand and have access to underserved segments of the population, including those defined by geography, socio-economic background and shared affinity.
- We have a strong track record of working with Government to target products and incentives towards those who need them (such as Child Trust Funds and Lifetime ISAs.)



The financial mutual sector's contribution to the UK economy:

**£600
MILLION**

direct gross
added value

**£1.5
BILLION**

total gross
added value

Source: WPI Economics, 2025

In this paper, we lay out how the mutual sector can grow by tackling three essential ‘resilience gaps’, with the backing of government policy.

The Resilience Gap	Key Policy Recommendation
The Protection Gap: Four in ten adults in the UK could not cover their living expenses for three months or more if they lost their main source of household income.	Work in partnership with Fair4All Finance and other stakeholders to allocate resources to address the protection gap.
The Healthcare Gap: Ill-health is the most significant driver of economic inactivity, costing the UK economy £212 billion per year in lost output, equivalent to 7% of GDP.	Contribute to the implementation of the Keep Britain Working review, including by actively seeking out mutual firms as partners in improving employee resilience.
The Savings Gap: 61% of people with more than £10,000 in investible assets held at least three quarters of these assets in cash rather than investments.	Create a policy framework which encourages and enables long term savings and investments.

**A broader list of policy asks and recommendations are laid out at the end of this report*

We also identify key cross-sector ‘enablers’ of growth, including widening access to financial advice and support, and improving mutuals’ ability to raise external capital. Our key policy asks and recommendations include:

- Enable mutuals to provide **affordable financial advice and support** to support customers’ needs.
- Allow mutuals to **raise external capital** without jeopardising their mutual tax status.
- Reform the **Public Interest Entities (PIE)** regime to capture only those firms which are truly large and systemic.
- Timely implementation of the **Law Commission’s recommendations** to modernise Friendly Society Legislation.

The Association of Financial Mutuals is the trade body that represents mutual and not-for-profit insurers, friendly societies and other financial mutuals across the UK. Between them, AFM members manage 8.5 million savings, pensions, protection, and healthcare policies in the UK and Ireland, with annual premium income of £3.3 billion, and hold over £35 billion in assets.



Why Mutuals are Fundamentally Different

Labour's 2024 manifesto pledge to double the size of the mutual and co-operative sector was framed as part of a broader commitment to a more diverse and innovative economy. This is important in its own right. But it should also be seen as a practical lever for delivering other priorities at the heart of the government's agenda.

By supporting long-term growth in financial mutuals, the government can make progress towards its wider goals:

- **Strengthening individuals' financial resilience**, by helping more people build savings, protect their incomes and manage financial shocks.
- **Reducing pressure on the state and NHS**, by improving financial security and helping households withstand disruption before problems escalate.
- **Broader economic participation across the UK**, beyond London and the southeast, and among groups that are often less well served by mainstream providers.

"Labour will support diverse business models which bring innovation and new products to the market. This includes the co-operative sector, and we will aim to double the size of the UK's co-operative and mutuals sector. We will work with the sector to address the barriers they face, such as accessing finance."

**Change, Labour Party
Manifesto 2024**



When mutuals can go further than shareholder-led financial institutions

Financial mutuals and friendly societies rarely make headlines, but millions of people in the UK quietly depend on them for their essential financial security. Mutuals are owned by their members, not external shareholders. These members are their customers – and the mutual business model centres around putting their long-term interests first.

This ownership model shapes the sector's priorities. Mutuals have a long history of serving populations which mainstream financial institutions often struggle to reach, including people with modest savings, and those in smaller communities spread all across the UK. At its core, the sector is built around *financial inclusion* – providing widespread access to essential financial services that support customers throughout their lives.

Different incentives mean a different definition of success

Without having to focus on short-term shareholder returns, we do not see growth in this sector primarily as a battle for market share within an already well-served market. The real opportunity is to grow the market itself – by reaching people whose needs are not currently being met well enough. In other words, the prize is not simply a bigger sector; it is a more inclusive financial system.

The members we represent already make a significant contribution to the UK economy. One recent report from WPI Economics¹ calculates the financial mutual sector's direct Gross Value Added (GVA) to the UK economy at £0.6 billion, and the total GVA contribution at £1.5 billion. Another WPI report² finds that there is a direct link between financial inclusion and economic growth. This suggests that investment in the mutual sector can generate wider economic benefits, by improving financial inclusion as well as contributing to growth directly.

Since Labour entered government in 2024, ministers and officials have:

Established a Mutual and Co-operative Sector Business Council, to act as a conduit between the industry and officials.

Commissioned a joint PRA/FCA report³ on the financial mutuals landscape, which was published in December 2025, laying out a number of a number of initiatives to support the specific needs of the sector.

Launched a Department for Business and Trade Call for Evidence on growth opportunities.⁴

The Opportunity for Growth

We have identified three areas in particular in which financial mutuals are especially suited to bridging individuals' gaps in financial well-being – which we call 'resilience gaps'.

- **The Protection Gap:** Four in ten adults in the UK could not cover their living expenses for three months or more if they lost their main source of household income.
- **The Healthcare Gap:** Ill health is the most significant driver of economic inactivity, costing the UK economy £212 billion per year in lost output, equivalent to 7% of GDP.
- **The Savings Gap:** 61% of people with more than £10,000 in investible assets held at least three quarters of these assets in cash rather than investments.

A key growth opportunity for the mutual sector lies in addressing these gaps, especially where current provision does not meet people's needs. By building on its historic role in serving underserved groups, the sector can expand these markets rather than simply compete within them.



Closing the Protection Gap

When illness or injury affects a person's ability to work, it can quickly turn into financial distress. ONS figures show that number of people in the UK who are economically inactive* because of long-term sickness has risen sharply from around 2 million in the late 2010s to 2.8 million in 2025 - while the FCA has found that more than four in ten UK adults could not cover their living expenses for three months or more if they lost their main source of household income**.

The mutual sector can help close this gap by offering income protection products to customers which help to prepare for unexpected injury or illness.

*Economic inactiveness due to long term sickness³

** Loss of main source of household income⁴

An income protection policy helps workers remain financially resilient when they face an unexpected medical event, paying a benefit that helps the policyholder make ends meet until they are able to earn again. A 2024 study of National Friendly's members found that 39% used their benefit for medical expenses, 35% used it to cover day-to-day costs, and 22% used it to pay their mortgage or rent.

Crucially, income protection can also help to fund rehabilitation and support an individual's return to work. This matters not only financially, for the individual and the wider economy, but also for emotional wellbeing. Research commissioned by Cirencester Friendly Society found that 70% of respondents agreed that work has a positive impact on their health and wellbeing.⁵

Despite the clear benefits of taking out a protection policy, many in the UK have not done so. Consumers often are not aware of their needs, or the benefits products can offer, and they are not sufficiently prompted to consider them. In its *Pure Protection Market Study*⁶, the FCA called this "the protection gap" – and found that 42% of adults over 18 with online access hold a pure protection product. Of the 58% who do not hold pure protection, 59% have not considered their needs.

A growing market with a clear social value

Income protection is one of the fastest growing product areas among financial mutuals. In 2024, AFM members paid more than £91.5 million in income protection benefits to their members. The average duration of claims in 2024 was 53 weeks, down from 68 weeks in 2023. While 45% of claims had been in payment for less than a year, nearly a quarter remained in payment after five years, illustrating the significant role these policies can play in supporting members dealing with long-term illness. AFM members also provided rehabilitation support to help 380 members recover.

There is significant scope for further growth, particularly among those who are self-employed or working in the gig economy. These workers often stand to lose the most if illness or injury leaves them unable to work for an extended period. Income

In 2024, AFM members sold more than 67,500 new income protection policies, valued at over £40.8 million. Taken together, AFM member sales account for nearly a quarter of the UK income protection market, according to aggregate data from the Association of British Insurers.

42% of UK adults could not cover their living expenses for three months or more if they lost their main source of household income.

FCA Financial Lives Survey, 2024.

protection could therefore play an important role in strengthening financial resilience among a particularly exposed group. We also note that there is a significant protection gap among women and those with chronic medical conditions.

Recommendation

Work in partnership **with Fair4All Finance** and other stakeholders to allocate resources to address the protection gap.



According to 2023 research from the Chartered Institute of Personnel and Development, nearly half a million people in the UK are working in the gig economy and 4.2 million are self-employed. The CIPD also points out that the employment landscape has changed significantly in the wake of the pandemic. That volatility underlines the case for income protection products that can shield vulnerable workers from financial uncertainty.

Expanding access and awareness

However, low awareness of income protection and limited understanding of its benefits remain significant barriers to wider take-up. A key challenge is therefore to make income protection more commonplace and to strengthen the case for it as a valuable safeguard against financial uncertainty.

An auto-enrolment mechanism, with the option to opt out – similar to the workplace pension – would help to overcome some of these barriers for employees. For those who are self-employed, government could consider an opt-in model supported by tax incentives. For example, the cost of a policy could be treated as a business expense, or payments into a policy could be deducted from income before determining an individual's tax band.

Recommendation

Create a policy framework for opt-out **auto-enrolment** in income protection products.





Closing the Healthcare Gap

The Government's 2025 Keep Britain Working report* found that over one in five working-age people are now out of work and not looking for work, with ill-health being the most significant driver of economic inactivity. This results in a total cost to the UK economy of £212 billion per year in lost output, equivalent to 7% of GDP.

The mutual sector can help close this gap by offering accessible health insurance products which help customers to manage their physical and financial wellbeing.

*Keep Britain Working report, 2025⁷

Research from Health Shield⁸ recently found that financial worries mean many employees skip routine healthcare or cancel check-ups to save money, which impacts their productivity in work. Of the employees surveyed, 53% reported that waiting times and access to the NHS are affecting their ability to work, leading to more sick days.

Mutuals primarily offer two types of healthcare products which help to address these challenges with wellbeing and its underlying cost: health cash plans and private medical insurance (PMI). These products help to support consumer health and financial wellbeing by making it more affordable to seek out different types of medical care as and when they are needed.

£1billion

Saved in estimated costs due to health protection policies in 2022.

Mutuality, health and wellbeing in the UK, 2023.

Supporting prevention and easing pressure on the NHS

Both products can help reduce pressure on public services, but they do so in different ways. Health cash plans encourage individuals to invest in routine and preventative care, by helping to cover the cost of routine visits to providers such as opticians and dentists. They support customer well-being by making it easy and affordable to maintain good health. In 2024, FCA data on the value measures of general insurance products⁷ found that health cash

plans came out on top across many of the categories measured, demonstrating their relative value for money. Private medical insurance is designed to support the treatment of acute conditions by covering some of the cost of medical care from private providers. A report⁹ from Broadstone estimates that, in 2022, health protection policies saved £1 billion in costs across the welfare state, the NHS and employers.

Creating the conditions for wider take-up

Expanding access to health cash plans and PMI will help to make significant progress towards Government objectives around health and wellbeing. One key area of growth is among corporate customers, where these products can be offered at scale as part of an employee benefits package. However, uptake is held back by the perceived lack of value for some employees, particularly where the P11D fee creates an incentive to opt out. Removing this charge would facilitate better uptake of employer-provided health cash plans.

In the case of PMI, some may dismiss the product due to a perception that it drives a two-tier health system. In practice, demand is often driven by concern about access and waiting times, particularly during winter pressures or periods of industrial action in the NHS.

The Government can play a role in making these products more accessible by helping the sector identify potential customers (for example, through data sharing with the NHS). There is scope to improve communication with individuals at key access points, so that people are better able to understand the forms of support available to them.

There may also be value in exploring whether healthcare products could be bundled more effectively with income protection. Supporting routine care and earlier intervention could reduce the likelihood of a worker needing to make a long-term income protection claim. Delivering this in practice may require the government to consider whether any adjustments are needed to existing competition rules.

Building on the Keep Britain Working review findings

The Keep Britain Working review sets out several criteria for suitable Workplace Health Provision including affordability, scalability, accessibility, quality, and innovation. Mutual Health Cash Plan (HCP) providers are well situated to meet these criteria and support the Review's objectives. Some mutual firms are already involved in the early stages, known as the Vanguard Phase, which we are confident will demonstrate the potential of their product offerings. We look forward to timely publication of the Government's findings and the subsequent development of evidence-based interventions.

Recommendation



*Contribute to the implementation of the **Keep Britain Working** review, including by actively seeking out mutual firms as partners in tackling ill-health and the economic impact that comes with it.*

Additional recommendations addressing the healthcare gap



- Remove the **P11D** charge on health cash plans.
- Remove the **Insurance Premium Tax (IPT)** on health cash plans and / or private medical insurance.
- Exempt employers from **Class 1 National Insurance** contributions in relation to private medical insurance.
- Raise HMRC's "**low-value threshold**" for small health benefits.



Closing the Savings Gap

The most recent FCA Financial Lives Survey found that 61% of people with more than £10,000 in investible assets held at least three quarters of these assets in cash rather than investments, implying that many are missing out on the opportunity to grow their assets over time. Meanwhile, too many households do not have a meaningful financial buffer. One in ten UK adults have no cash savings at all, while another 21% have less than £1,000 available for an emergency.

The mutual sector can help close this gap by offering savings products that incentivise customers to prepare for significant purchases, unexpected expenses, and retirement.

The LISA opportunity

The Lifetime ISA (LISA) is structured to help individuals build long-term saving habits, while also benefiting the wider UK economy. It combines a simple savings objective with a tangible government incentive: savers can currently put away up to £4,000 a year, receive a 25% government bonus, and use the proceeds either to purchase a first home or later in life. A low minimum contribution requirement means the product is accessible for younger savers, giving mutuals an effective route to engage customers early – often when saving habits are first being formed.

In short: at a time when first-time buyers face high house prices, weak affordability and a growing wealth gap, the LISA plays an important role in promoting home ownership – a key factor in financial resilience.

61%
of UK adults with more than
£10,000 in investible assets held at
least three quarters of these assets
in cash rather than investments.

FCA Financial Lives Survey, 2024.

Targeted ISA reforms can meet modern needs

Since the strength of the LISA is its focus on real-life goals, the product needs to reflect current economic conditions. Limits set when the scheme was introduced in 2017 – including the £4,000 annual allowance, and a £450,000 property price cap – have not kept pace with the market. To be a practical choice for savers, the LISA must acknowledge the realities of inflation and rising housing costs. Simplicity of use is also essential. Currently, the scheme suffers where complexities make it confusing for customers to know when or how to use it in conjunction with other savings products.

We note that the Government signalled its intention to reform the ISA regime in the 2025 Budget – including simplifying the LISA. We will advocate for these changes in order to bolster the wider infrastructure for long-term saving in the UK.

Recommendation



*For the planned consultation on a product to replace the **Lifetime ISA**:*

- *Increase / remove the property value cap.*
- *Raise the maximum contribution.*
- *Address challenges with the withdrawal penalty.*
- *Make Government bonuses progressive according to income level.*
- *Retain the saving for retirement component for self-employed and SME employees.*

As part of these ISA reforms, we can also help many more individuals start their savings journey before they reach adulthood. The Junior ISA (JISA) offers a route to build financial resilience much earlier, enabling families to put money aside for children's future education and other major adult expenses, and helping to normalise long-term saving from an early age.

Recommendation



*Implement incentives for parents and grandparents to invest for children's education and other significant adult expenses, through the **Junior ISA** including:*

- *Means-tested Government bonus into JISA contributions.*
- *Allow grandparents to pay into JISA products directly.*
- *Incentivise JISA assets to be held in investments.*

A major part of the Lifetime ISA's value lies in its focus on clear savings goals, giving people a practical incentive to save for a major life event. To that end, there is scope for the Government to develop the Lifetime ISA (and, indeed, the Junior ISA) into a product which facilitates and encourages saving for a number of significant life events – not just a home purchase, but also university tuition, a wedding, a first car purchase, retirement, or long-term medical care.

Improving the Tax-Exempt Savings Product

For many with little to no savings, the monetary limits of ISA products feel unrealistic and out of reach. The Tax-Exempt Savings Product (TESP), which is unique to friendly societies, offers a low-cost entry point into tax-efficient savings. Savers can put away up to £25 per month tax-free for a minimum of 10 years up to a maximum of 25 years.

The £25 limit was set in 1995 and has not been updated since, meaning the value of the maximum allowed savings has not kept pace with inflation. A review of the TESP limits would help to keep the product relevant and ensure genuine diversity in the types of products available to all types of savers.



Recommendation

Reform and improve the **Tax-Exempt Savings Product (TESP)**, including:

- Increase the maximum TESP contribution from £25 (if in line with inflation since 1995, to £55)¹⁰

1 in 4

UK adults show low financial resilience, meaning they have missed payments or are struggling to keep up with commitments.

FCA Financial Lives Survey, 2024.

Broader action can support long-term saving

The Government could also help close the savings gap by offering tax incentives that make saving easier. Allowing contributions through salary deduction or salary sacrifice arrangements, with funds taken automatically from income, would support more regular saving by making the process simpler and more rewarding.

HM Treasury's *Financial Inclusion Strategy* advocates for mechanisms like payroll savings programmes to make it easier for individuals to save, citing a case study of success from the Ministry of Defence. To help encourage the uptake of workplace savings schemes, the FCA has also published a regulatory statement clarifying how these programmes interact with existing rules and addressing some perceived barriers.¹¹ Given the mutual sector's long history of serving people with little to modest savings, financial mutuals are well placed to partner with Government in this area – which would both grow the sector and improve financial resilience.



Additional recommendations addressing the savings gap

- Create a policy framework for opt-out **auto-enrolment** in workplace savings schemes which make use of products like the LISA and TESP.
- Implement a **new, simple, long-term savings product** geared towards the self-employed and those with no access to a workplace pension.
- Reform FCA regulations set out in **COBS 20** to alleviate the disproportionate burden on mutuals with with-profits customers.



The Enablers:

Unlocking the Mutual Sector's Potential

The opportunities in savings, protection and healthcare show how mutuals can help close important resilience gaps while growing the sector. But delivering that growth at scale will also depend on removing the wider barriers that hold mutuals back. In this section, we describe two primary enablers of growth:

- **Expanding access to economic and affordable financial advice:** Enabling mutuals to provide the right types of financial advice and support to customers at the time they need it, and at a price which they can afford.
- **Enabling mutuals to raise external capital:** Allowing mutuals access to some forms of external capital in order to invest in their business and innovate, while maintaining their status as mutuals.

Beyond these enablers, we also lay out a set of further recommendations, which cut across much of the sector and would help to unlock growth for a wide range of firms by improving the operating environment for mutuals and supporting a more diverse and resilient market.

Expanding Access to Financial Advice

As we have already noted, the FCA found that 61% of people with more than £10,000 in investible assets hold at least three quarters of these assets in cash rather than investments. Although cash savings have a place as part of an individual's well-rounded savings approach, this statistic highlights that many could be losing out on potential benefits by using the wrong financial tools for their goals.

As the Government and regulators have identified, there is a significant gap in the market between professional financial advice – which is taken up by less than one in ten adults – and generic guidance. Over the next decade, the FCA estimates that more than 18 million people could be offered extra help with their investments and pensions with the introduction of targeted support¹¹.

Enabling mutuals to provide the right types of financial advice and support to customers at the time they need it, and at a price which they can afford.

A wider market for targeted support

Our members can educate customers on the right financial tools to help them achieve their goals, depending on their particular circumstances – building financial resilience and, at the same time, growing the sector. Mutuals are well placed to play a larger role in providing this kind of targeted support because of their long-term focus on serving members, rather than maximising short-term profit. By contrast, much of the wider advice market has limited commercial incentive to serve customers whose needs fall below the threshold for full financial advice.

Targeted support has the potential to support growth across the full range of products offered by the mutual sector – and is therefore a top priority to expand our reach and impact. That growth could be accelerated further if mutuals were able to recommend complementary financial products offered by other firms that would meet customers' needs.

Reducing the risks of inaction

The regulators' approach has understandably focused on reducing the risk of harm to individuals. However, there is also a wider risk from allowing large numbers of people to miss out on opportunities to make better use of their financial resources. An approach that genuinely focuses on harm reduction should place emphasis on the risks of inaction as well as the risks of a wrong decision. The FCA has acknowledged this need in CP25/17 on targeted support, noting that "too often the focus in regulation has been on the risks of a decision rather than the risk of missed opportunities through inaction".

One AFM member, having received special dispensation from the FCA to use the Basic Advice regime more flexibly, has already demonstrated the capability to deliver real benefits to their members in this way. But dispensations for individual firms are not enough: the sector could do much more if the regulatory regime enabled more firms to offer similar services.

Regulators should therefore reevaluate the rules that limit the provision of this kind of support. While work has already begun through the implementation of the Advice Guidance Boundary Review, further progress is needed to ensure that small and medium-sized firms can provide support alongside the largest providers. Any reforms to the advice regime need to be flexible enough to offer both general guidance and personalized recommendations, as targeted support alone will not be sufficient to prompt all customers to act. An extended Basic Advice regime alongside targeted support will fill this important gap – if its scope is expanded and formally brought into the regulatory rulebook.

Recommendation

Ensure that the new financial advice regime is flexible and affordable, and can meet a broad range of people's needs:

- *Extend the provision of targeted support to cover more areas of customer need, such as protection and health plans.*
- *Extend the scope of Basic Advice and formally bring it into the rulebook.*



Enabling Mutuals to Raise External Capital

The limits of internal capital

Mutual firms do have some capacity to invest accumulated surplus in growing and developing the business, but that capacity is constrained by two factors.

- First, the surplus has been built up from members' contributions over tens, and in some cases hundreds, of years. If it is used to fund expansion, that capital may take a long time to replace.
- Second, because that surplus has been generated by members, it ultimately belongs to members. This is an important principle of mutuality, but it can encourage a more cautious approach to investment that limits growth.

Allowing mutuals access to some forms of external capital in order to invest in their business and innovate, while maintaining their status as mutuals.

Mutuals do have access to some forms of external investment, including financial reinsurance and Tier 2 debt, but these options are often not cost-effective for small and medium-sized firms. These limitations inhibit the sector's growth.

Access to equity capital would allow firms to make bolder investments more regularly in support of growth. That investment could be used, for example, to expand product offerings, develop new distribution networks, and deploy new technologies.

A practical route to reform

Past attempts to provide mutuals with better options to seek equity capital – through the Mutual Deferred Shares Act in 2015 – were hampered by HMRC's interpretation of the legislation: that use of the Act could negate a society's mutual tax status. Consequently, this route to raising capital has remained unused.

A different approach has been taken, for example, in Australia. In 2019, Australia passed the Treasury Laws Amendment Act, which included a specific note that the issuance of capital by a qualifying mutual would not lead to demutualisation for income tax purposes. That clarity has supported greater uptake across the sector.

Any reform to improve access to capital in the UK will need a similarly joined-up approach across government. Specifically, proposals must explicitly address mutuals' tax treatment: any change that put firms' mutual tax status at risk would not be practical and credible.

Recommendation

*Allow mutuals to **raise external capital** without jeopardising their mutual tax status.*



Further Growth Enabling Recommendations

The primary and secondary growth enablers above are intended to illustrate the most significant structural reforms and growth opportunities facing the sector, but they are not exhaustive. There are a number of further changes which cut across much of the sector and would help to unlock growth for a wide range of firms. Taken together, these measures would improve the operating environment for mutuals, reduce unnecessary barriers, and support a more diverse and resilient market.

General Enablers for Growth

Reform the **Public Interest Entities (PIE)** regime to capture only those firms which are truly large and systemic.

Implement the recommendations from the **Law Commission's Review of Friendly Society Legislation** in good time.

Implement a more rigorous and evidenced process for demonstrating that the regulators have considered the **impact of regulatory change on mutuals**, including the capacity of the sector to cope with cumulative change.

Provide further clarity and support for **product bundling** and **cross-selling** opportunities within the mutual sector.

Specialist Enablers for Growth

Alongside these cross-sector measures, there are also more targeted reforms which would affect a smaller number of firms, but could still deliver significant growth in important parts of the sector.

Reform the tax regime to **protect the mutual tax status** of organisations with a demutualisation protection clause in their rules.

Transfer responsibility for **GP claims liability** in England and Wales from the Government back to MDOs.

Create **Government-backed funding**, such as from the British Business Bank, to support growth and new entrants to the sector.





Overview of Policy Asks:

What Do We Need to Succeed?

Here, we recap the policy asks and recommendations presented through this paper. Where appropriate, we have segmented them into 'immediate levers' that could be implemented quickly, without further legislation; and 'medium-term reforms' which will require further policy development to bring about tangible benefits.

Closing the gap: **Income Protection Products**

Immediate levers



- Work in partnership with **Fair4All Finance** and other stakeholders to allocate resources to address the protection gap.

Medium-term reforms



- Create a policy framework for opt-out **auto-enrolment** in income protection products.

Closing the gap: **Healthcare Products**

Immediate levers



- Remove the **P11D charge** on health cash plans.
- Remove the **Insurance Premium Tax (IPT)** on health cash plans and/ or private medical insurance.
- Exempt employers from **Class 1 National Insurance contributions** in relation to private medical insurance.
- Raise HMRC's "**low-value threshold**" for small health benefits.

Medium-term reforms



- Contribute to the implementation of the **Keep Britain Working** review, including by actively seeking out mutual firms as partners in tackling ill-health and the economic impact that comes with it.

Closing the gap: Long Terms Savings Products

Immediate levers



- For the planned consultation on a product to replace the **Lifetime ISA**:
 - » Increase / remove the property value cap.
 - » Raise the maximum contribution.
 - » Address challenges with withdrawal penalty.
 - » Make Government bonuses progressive according to income level.
 - » Retain the saving for retirement component for self-employed and SME employees.
- Implement incentives for parents and grandparents to invest for children's education and other significant adult expenses, through the **Junior ISA** including:
 - » Means-tested Government bonus into JISA contributions
 - » Allow grandparents to pay into JISA products directly
 - » Incentivise JISA assets to be held in investments.
- Reform and improve the **Tax-Exempt Savings Product (TESP)** including:
 - » Increase the maximum TESP contribution from £25 (if in line with inflation since 1995, to £70).

Medium-term reforms



- Create a policy framework for opt-out **auto-enrolment** in workplace savings schemes which make use of products like the LISA and TESP.
- Implement a **new, simple, long-term savings product** geared towards the self-employed and those with no access to a workplace pension.
- Reform FCA regulations set out in **COBS 20** to alleviate the disproportionate burden on mutuals with with-profits customers.

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For further information please contact
 Andrew Whyte, AFM Chief Executive:
Andrew@financialmutuals.org
www.financialmutuals.org

