

Long live the Co-op, but what we really need is a first...

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The [FT has published the following grossly misleading story this morning](#):

The Co-operative Group has been forced to abandon its mutual ownership structure 170 years after it was launched by an idealistic group of Rochdale traders, handing a majority share of its banking business to US hedge funds and other creditors.

The mutual's stake in the bank will reduce to 30 per cent as part of a last-ditch deal with bondholders to bridge a £1.5bn capital shortfall and save the lender from a taxpayer bailout.

This is misleading because it is simply untrue. The Co-op has not abandoned its mutual structure. What it has done is sell 70% of its stake in the Co-op Bank as part of the rescue deal for that bank.

But there is more than that fact to this tale. Because the Co-op never was a mutual bank. It was a commercial bank owned by a mutual, which is not quite the same thing. So it was not, for example, like a building society which was genuinely owned by its members.

What the debacle (and it is a debacle) shows is three things. The first is that seeking to force a commercial model into a co-op does not work. The Britannia Building Society take-over by the Co-op Bank was the main cause of its failing and represented conflicted thinking as much as an outright commercial disaster.

Second, the new owners need to beware; a lot of people are at the Co-op because they want it to be a Co-operative bank. We'll leave if it drops its ethics (the we is deliberate there: I am one who will do so).

Third, there is a need for a first rate mutual and the Nationwide is not it.

For many people the banking crisis is a long way from being solved.