

EXPLANATORY MEMORANDUM

THE PRESBYTERIAN MUTUAL SOCIETY FINANCIAL ASSISTANCE SCHEME REGULATIONS (NORTHERN IRELAND) 2011

2011 No. 143

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department of Enterprise, Trade and Investment to accompany S.R. No 143 which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made with the approval of the Office of the First Minister and deputy First Minister under The Financial Assistance Act (Northern Ireland) 2009 ("the 2009 Act") and is subject to negative resolution procedure.
- 1.3 The Rule is due to come into operation on 1 May 2011.

2. Purpose and main provisions of the Scheme

- 2.1 The purpose of the Statutory Rule is to make a Scheme to provide financial assistance to the creditors – that is, the holders of loan capital in the Presbyterian Mutual Society (PMS) which went into voluntary administration in November 2008.
- 2.2 Article 1 of the Schedule names the Scheme as the Presbyterian Mutual Society Financial Assistance Scheme 2011; interprets terms relating to it and provides for the appointment of a person to assist the Administrator
- 2.3 Articles 2 and 3 define the recipients of the financial assistance and the purposes of the Scheme. Article 4 specifies that the financial assistance will take the form of a loan of up to £175 million paid by the Department to the Administrator who, in turn, will make payments to creditors. It also provides for any person appointed to assist the Administrator to be paid from this loan.
- 2.4 Article 5 contains provision for a separate agreement between the Department and the Administrator in respect of terms and conditions of the loan. Article 6 identifies particular conditions which will apply, including reporting, accounting and audit arrangements. Article 7 provides for the Department to determine arrangements for the payment of loan interest and repayment of capital.

3. Background

- 3.1 The 2009 Act gives the First Minister and deputy First Minister (FM/dFM), acting jointly, authority to determine that exceptional circumstances exist; that it is desirable to provide financial assistance to prevent, control or mitigate any aspect or effect of those

circumstances and that such assistance ought to be provided in accordance with a scheme or schemes.

- 3.2 The 2009 Act also makes provision for FM/dFM, acting jointly, to designate a relevant department in relation to the provision of financial assistance of that kind.

4. Matters of special interest to the Committee for Enterprise, Trade and Investment

- 4.1 None

5. Consultation

- 5.1 Normal consultation procedures are not relevant in this case.

6. Position in GB

- 6.1 The exceptional circumstances identified by FM/dFM in their joint determination include the financial crisis which impacted on the whole of the UK and globally. Increased protection provided by Government to UK financial institutions was confined to those regulated by the Financial Services Authority (FSA). Specific arrangements were therefore made for PMS.

7. Equality Impact

- 7.1 Not applicable.

8. Regulatory Impact

- 8.1 A Regulatory Impact Assessment has not been produced as there is no impact on the wider business community or on charities or voluntary bodies.

9. Financial Implications

- 9.1 The loan of up to £175 million to the Administrator of PMS has been approved in the Budget passed by the Assembly on 9 March 2011.

10. EU Implications

- 10.1 The loan is subject to State Aid approval.

11. Section 24 of the Northern Ireland Act 1998

- 11.1 The Regulations are compatible with section 24 of the Northern Ireland Act 1998.