



Building Societies Act 1986

1986 CHAPTER 53

PART IV

PROTECTION OF INVESTORS

Investor Protection Scheme

27 Payments to investors.

- (1) Subject to the provisions of this section, if a building society becomes insolvent and the Board determines under section 26 to levy contributions for the purpose of making payments to investors under this section the Board shall as soon as practicable pay out of the Fund to persons who have at the date of the determination protected investments in the building society amounts equal to Part IV the proportion of their protected investments applicable under subsection (2) below for the purpose of calculating the amount of those payments.
- (2) The proportion applicable for that purpose is 90 per cent. or such lesser proportion as the Board determines to apply instead of it where it considers it expedient to do so having regard to the factors specified in section 26(6).
- (3) A person claiming to be entitled to a payment under this section in respect of his protected investment in an insolvent building society shall make his claim in such form, with such evidence proving it, and within such period, as the Board directs and either to the Board or to such other [^{F1}authorised institution] or building society authorised by the Board to make the payments on its behalf, as the Board directs.
- (4) The Board may decline to make any payment under subsection (1) above to a person who, in the opinion of the Board, had any responsibility for, or may have profited directly or indirectly from, the circumstances giving rise to the society's financial difficulties.
- (5) For the purposes of this section in its application in relation to a building society which has become insolvent—

Status: Point in time view as at 01/02/1991. This version of this provision has been superseded.

Changes to legislation: Building Societies Act 1986, Section 27 is up to date with all changes known to be in force on or before 05 April 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (a) a person has at any time a protected investment in the society if he has a deposit with, or a share in, the society; and
 - (b) his protected investment is the total liability of the society to him, limited to a maximum of [^{F2}£20,000], which is referable to sums deposited with the society or to his shares in the society.
- (6) The Treasury, after consultation with the Board, may by order made by statutory instrument—
- (a) amend subsection (2) above so as to substitute for the percentage for the time being specified in that subsection such other percentage as may be specified in the order; and
 - (b) amend subsection (5)(b) above so as to substitute for the sum for the time being specified in that paragraph such other sum as may be specified in the order.
- (7) No order shall be made under subsection (6) above unless a draft of it has been laid before, and approved by a resolution of, each House of Parliament.
- (8) In determining whether a person has a protected investment in a building society and the amount of it there shall be disregarded—
- (a) any shares of which his are deferred shares,
 - (b) any deposit which, on a winding up, would fall to be repaid only after repayment in full had been made to the holders of shares in the society other than deferred shares; and
 - (c) any deposit which is evidenced by a certificate of deposit or other negotiable instrument.
- (9) In determining what is the protected investment of an investor, no account shall be taken of any liability unless proof of the debt or claim which gives rise to it has been lodged with the liquidator of the society.
- (10) Unless the Board otherwise directs in any particular case or class of case, in determining the total liability of an insolvent building society to any person for the purposes of subsection (1) above, there shall be deducted the amount of any liability of that person to the society—
- (a) in respect of which a right of set-off existed immediately before the society became insolvent against any such investment of his as is referred to in that subsection, or
 - (b) in respect of which such a right would then have existed if the investment in question had been repayable on demand and the liability in question had fallen due.
- (11) Payments under this section in respect of a protected investment in an insolvent building society may, if the Board thinks fit, be made by such instalments as it determines for the purposes of that insolvency.
- (12) Schedule 6 to this Act, which contains provisions about investments held by trustees or jointly or on client's account, shall have effect.

Textual Amendments

- F1** Words substituted by [Banking Act 1987 \(c. 22, SIF, 10\)](#), s. 108(1), [Sch. 6 para. 26\(3\)](#)
- F2** “£20,000” substituted by [S.I. 1987/1349](#), [art. 2](#)

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