



Building Societies Act 1986

1986 CHAPTER 53

PART IV

PROTECTION OF INVESTORS

Other provisions

31 Voluntary schemes

- (1) Subject to the provisions of this section, any two or more building societies may enter into arrangements for the purpose of making funds available to meet losses incurred by persons who have deposited money with, or who have shares in, an insolvent building society which is a party to the arrangements (referred to in this section as "voluntary arrangements").
- (2) A building society shall have power to make contributions to a fund vested in trustees appointed under voluntary arrangements made in accordance with this section.
- (3) Voluntary arrangements shall not come into force, and no contributions shall be made thereunder by a building society, until the arrangements have been approved by the Commission and authorised by a resolution passed at a general meeting of the society as a special resolution.
- (4) The maximum payment to any investor that may be provided for by voluntary arrangements is such sum as represents the total liability of the insolvent society to him (of any amount) which is referable to sums deposited with the society or to his shares in the society, after taking into account payments to him under section 27.
- (5) No payment under voluntary arrangements shall be made to any person—
 - (a) in respect of any investment which would be disregarded for the purposes of section 27(8), or
 - (b) where the liability of the insolvent society to him is reduced by any set-off for the purposes of section 27(10); or

Status: This is the original version (as it was originally enacted).

- (c) where that person is ineligible for any payment under the protective scheme provisions of this Part by virtue of a decision of the Board under section 27(4).
- (6) Voluntary arrangements may include—
- (a) arrangements to constitute, and for contributions to be made to, a fund vested in trustees appointed under the arrangements, being a standing fund or a fund established in the event of an insolvency (or a combination of each);
 - (b) arrangements for payments to be made on behalf of the trustees to investors by societies participating in the arrangements;
 - (c) arrangements to protect only specified classes of investor or specified classes of investment;
 - (d) arrangements providing for a level of protection more limited than the maximum allowed by subsection (4) above;
 - (e) arrangements with the Board or any institution making payments to investors on the Board's behalf for the purpose of making payments under the protective scheme provisions of this Part and voluntary arrangements at the same time ;
or
 - (f) arrangements providing, in circumstances specified in them, for payments to be made by the trustees to the societies making contributions.
- (7) Any payment by a society participating in arrangements which include arrangements falling within subsection (6)(b) above shall be treated for the purposes of this section as a contribution paid by the society to the trustees and as a payment by the trustees to the investors.
- (8) Subject to subsection (9) below, subsections (2) to (6) of section 28 shall, if the voluntary arrangements so provide, apply to payments to investors made by the trustees as they apply to insolvency payments made by the Board.
- (9) In relation to a building society insolvency in respect of which the Board and the trustees have each made payments to investors, the variation in the liquidator's duty effected by subsections (2)(c), (4) and (5) of section 28 shall be modified as follows, that is to say—
- (a) subsection (4) shall have effect as if it required the liquidator, before paying the investor and after paying the Board to the extent required by that subsection, to pay to the trustees instead of to the investor any amount which, apart from this paragraph, would be payable to the trustees on account of the liability to the trustees referable to deposits of the investor; and
 - (b) subsection (5) shall have effect with a corresponding modification in respect of any such amount referable to shares of the investor,
- and, in this subsection, " the liability to the trustees ", means the liability to the trustees which, by virtue of subsection (8) above, corresponds to the liability to the Board imposed by section 28(2)(a).
- (10) In this section " insolvent" and " insolvency ", in relation to a building society, have the meanings given by section 26(1); and " the trustees", in relation to voluntary arrangements, means the trustees appointed under them.