



Building Societies Act 1986

1986 CHAPTER 53

PART VII

MANAGEMENT OF BUILDING SOCIETIES

Dealings with directors

64 Substantial property transactions involving directors and connected persons.

- (1) A building society shall not enter into an arrangement—
- (a) whereby a director of the society, or a person connected with a director of the society, acquires or is to acquire one or more non-cash assets of the requisite value from the society; or
 - (b) whereby the society acquires or is to acquire one or more non-cash assets of the requisite value from a director of the society or a person connected with a director of the society,

unless the arrangement is first approved by a resolution of the society passed at a general meeting.

- (2) For this purpose a non-cash asset is of the requisite value if at the time the arrangement in question is entered into its value is—
- (a) except in a case falling within paragraph (b) below, not less than [^{F1}£200,000]; and
 - (b) where the last balance sheet of the society showed reserves amounting to less than [^{F2}£1,000,000], not less than the higher of [^{F3}£2,000] or the amount which represents 10 per cent. of the reserves so shown.
- (3) The [^{F4}Treasury may by order] amend subsection (2) above so as to substitute for any of the amounts for the time being specified in paragraphs (a) and (b) of that subsection such other amount as [^{F5}they think] appropriate.

Changes to legislation: *Building Societies Act 1986, Section 64 is up to date with all changes known to be in force on or before 06 September 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) View outstanding changes*

- (4) The power to make an order under subsection (3) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (5) In this section “non-cash asset” means any property or interest in property other than cash and a reference to the acquisition of a non-cash asset includes the creation or extinction of an estate or interest in, or a right over, any property and also the discharge of any person’s liability, other than a liability for a liquidated sum.
- (6) An arrangement entered into by a building society in contravention of this section, and any transaction entered into in pursuance of the arrangement (whether by the society or any other person) is voidable at the instance of the society unless—
 - (a) restitution of any money or other asset which is the subject matter of the arrangement or transaction is no longer possible or the society has been indemnified in pursuance of subsection (7)(b) below for the loss or damage suffered by it, or
 - (b) any rights acquired in good faith, for value and without actual notice of the contravention by any person who is not a party to the arrangement or transaction would be affected by its avoidance, or
 - (c) the arrangement is affirmed by the society at a general meeting held not later than the next annual general meeting after the entry into the arrangement.
- (7) Where an arrangement or transaction is entered into with a building society by a director of the society or a person connected with him in contravention of this section then, without prejudice to any other liability but subject to subsections (8) and (9) below, that director and the person so connected, and any other director of the society who authorised the arrangement of any transaction entered into in pursuance of such an arrangement, is liable—
 - (a) to account to the society for any gain which he has made directly or indirectly by the arrangement or transaction, and
 - (b) (jointly and severally with any other person liable under this subsection) to indemnify the society for any loss or damage resulting from the arrangement or transaction.
- (8) Where an arrangement or transaction is entered into by a building society and a person connected with a director of the society in contravention of this section, that director is not liable under subsection (7) above if he shows that he took all reasonable steps to secure the society’s compliance with this section.
- (9) In any case, a person so connected and any such other director as is mentioned in subsection (7) above is not so liable if he shows that, at the time the arrangement was entered into, he did not know the circumstances constituting the contravention.

Textual Amendments

- F1** Sum in s. 64(2)(a) substituted (6.4.2007) by [The Building Societies Act 1986 \(Substitution of Specified Amounts and Modification of the Funding Limit Calculation\) Order 2007 \(S.I. 2007/860\)](#), arts. 1, **2(3)(a)**
- F2** Sum in s. 64(2)(b) substituted (6.4.2007) by [The Building Societies Act 1986 \(Substitution of Specified Amounts and Modification of the Funding Limit Calculation\) Order 2007 \(S.I. 2007/860\)](#), arts. 1, **2(3)(b)(i)**

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- F3** Sum in s. 64(2)(b) substituted (6.4.2007) by [The Building Societies Act 1986 \(Substitution of Specified Amounts and Modification of the Funding Limit Calculation\) Order 2007 \(S.I. 2007/860\)](#), [arts. 1, 2\(3\)\(b\)\(ii\)](#)
- F4** Words in s. 64(3) substituted (17.8.2001 for certain purposes and otherwise 1.12.2001) by [S.I. 2001/2617](#), [arts. 2\(a\)\(b\), 8, 13\(1\)](#), [Sch. 3 para. 159\(a\)](#) (with [art. 13\(3\)](#), [Sch. 5](#)); [S.I. 2001/3538](#), [art. 2\(1\)](#)
- F5** Words in s. 64(3) substituted (17.8.2001 for certain purposes and otherwise 1.12.2001) by [S.I. 2001/2617](#), [arts. 2\(a\)\(b\), 8, 13\(1\)](#), [Sch. 3 para. 159\(b\)](#) (with [art. 13\(3\)](#), [Sch. 5](#)); [S.I. 2001/3538](#), [art. 2\(1\)](#)

Modifications etc. (not altering text)

- C1** S. 64 modified (13.1.1993 for certain purposes only and 1.1.1994 for all remaining purposes) by [Friendly Societies Act 1992 \(c. 40\)](#), s. 27, [Sch. 11 Pt. II para. 9\(1\)\(c\)\(2\)](#) (with [ss. 7\(5\), 93\(4\)](#)); [S.I. 1993/16](#), [art. 2](#), [Sch. 1](#); [S.I. 1993/2213](#), [art. 2](#), [Sch. 5](#).
- C2** S. 64(3): Functions of the Building Societies Commission transferred (1.12.2001) to the Treasury by [S.I. 2001/2617](#), [arts. 2\(b\), 4\(1\)](#), [Sch. 1 Pt. III](#) (with [art. 5](#)); [S.I. 2001/3538](#), [art. 2\(1\)](#)

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 5(11)-(14) inserted by [2007 c. 26 s. 1\(2\)](#)
- s. 5(13)(a) substituted by [S.I. 2013/496 Sch. 8 para. 4\(4\)](#)
- s. 7(6A)-(6C) inserted by [2007 c. 26 s. 1\(1\)\(a\)](#)
- s. 7(8A) inserted by [2007 c. 26 s. 1\(1\)\(c\)](#)
- s. 176ZB excluded by [S.I. 2017/400 reg. 14](#)
- s. 246ZA-246ZC excluded by [S.I. 2017/400 reg. 15](#)
- s. 246ZD excluded by [S.I. 2017/400 reg. 16](#)