



Building Societies Act 1986

1986 CHAPTER 53

PART VII

MANAGEMENT OF BUILDING SOCIETIES

Dealings with directors

65 Restriction on loans, etc. to directors and persons connected with them.

- (1) Subject to the following provisions of this section, a building society shall not—
- (a) make [^{F1}a loan] to a director or a person connected with a director of the society; or
 - (b) dispose of property by way of lease or hire to a director or a person connected with a director of the society; or
 - (c) make a payment on behalf of a director or a person connected with a director of the society in connection with the provision of [^{F2}any service of a kind which is provided by building societies for individuals in the ordinary course of business]; or
 - (d) enter into a guarantee or provide any security which is incidental to or connected with any such loan, disposal of property or payment; or
 - (e) take part in any arrangement whereby—
 - (i) another person enters into a transaction which, if it had been entered into by the society, would have contravened any of paragraphs (a) to (d) above; and
 - (ii) that other person, in pursuance of the arrangement, has obtained or is to obtain any benefit from the society or a subsidiary of the society.
- (2) Subsection (1)(a) above does not apply to—
- (a) any loan of an amount which, when aggregated with any other relevant loans, does not exceed [^{F3}£10,000];
 - (b) any loan made in the ordinary course of the society's business and of an amount not greater and made on other terms not more favourable than it

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- is reasonable to expect the society to have offered to a person of the same financial standing but unconnected with the society; or
- (c) any loan, the amount of which, when aggregated with any other relevant loans, does not exceed [^{F4}£200,000], made for or towards the purchase or improvement of a dwelling-house used or to be used as the director's only or main residence if he is an executive director and loans of that description and on similar terms are ordinarily made by the society to its employees.
- (3) Subsection (1)(b) above does not apply to—
- (a) any lease or hiring of property the value of which, when aggregated with the value of any other relevant leases or hirings, does not exceed [^{F5}£20,000]; or
- (b) any lease or hiring made in the ordinary course of the society's business and on terms not more favourable than it is reasonable to expect the society to have offered to a person unconnected with the society.
- (4) Subsection (1)(c) above does not apply to—
- (a) any payment amounting, when aggregated with any other relevant payment, to no more than [^{F6}£10,000] in respect of which the person on whose behalf it is made is under an obligation to reimburse the society within a period not exceeding two months beginning with the date of the payment; or
- (b) any payment of an amount not greater and on other terms not more favourable than it is reasonable to expect the society to have offered to a person of the same financial standing but unconnected with the society.
- (5) Subject to compliance with the requirements of subsection (6) below, subsection (1) above does not preclude a building society from doing anything to provide a director with funds to meet expenditure incurred or to be incurred by him for the purposes of the society or for the purpose of enabling him properly to perform his duties as a director of the society nor does it preclude the society from doing anything to enable a director to avoid incurring such expenditure.
- (6) The following are the requirements referred to in subsection (5) above—
- (a) the things must either be done with the prior approval of the society given at a general meeting at which the requisite matters are disclosed or be done on condition that, if the approval of the society is not so given at the next annual general meeting, the loan is to be repaid, or any other liability arising under the transaction is to be discharged, within six months from the conclusion of that meeting; and
- (b) the amount provided, when aggregated with any other relevant provision of funds, does not exceed [^{F7}£40,000].
- (7) The following are the requisite matters which must be disclosed for the purposes of subsection (6) above—
- (a) the purpose of the expenditure incurred or to be incurred, or which would otherwise be incurred, by the director;
- (b) the amount of the funds to be provided by the society; and
- (c) the extent of the society's liability under any transaction which is or is connected with the thing in question.
- (8) The [^{F8}Treasury may by order made by statutory instrument] substitute for any sum specified in this section a larger sum specified in the order.

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(9) An order under subsection (8) above shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(10) In this section—

“authorising provision” and “authorised”, in relation to a transaction of a description falling within paragraph (a), (b) or (c) of subsection (1) above, mean respectively any provision of subsection (2), (3) or (4) or constituted by subsection (5) above and any transaction or thing done to which that paragraph does not apply or which is not precluded from being done by virtue of that provision;

“outstanding”, in relation to loans, means outstanding in respect of principal and interest and, in relation to the provision of funds subject to a condition for repayment or discharge of any other liability, means unpaid or undischarged to any extent;

“provision of funds” includes anything else which, by virtue of subsection (5) above, a society is not precluded from doing by subsection (1) above; [^{F9}and]

“relevant”, in relation to a transaction of a description falling within paragraph (a), (b) or (c) of subsection (1) above, means an outstanding or, in the case of a lease or hiring, current transaction of that description (whether entered into by, or by arrangement with, the society) not being one authorised by any other authorising provision.

[^{F10}“subsidiary” has the meaning given by [^{F11}section 1159 of the Companies Act 2006].]

(11) Section 70 has effect for the interpretation, in the subsequent provisions of this Part, of references to transactions or arrangements contravening this section and to such transactions or arrangements being made “for” a person.

Textual Amendments

- F1** Words in s. 65(1)(a) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 24(1)(a)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xiii)**
- F2** Words in s. 65(1)(c) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 24(1)(b)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xiii)**
- F3** Sum in s. 65(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(4)(a)**
- F4** Sum in s. 65(2)(c) 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(4)(b)**
- F5** Sum in s. 65(3)(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(4)(c)**
- F6** Sum in s. 65(4)(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(4)(d)**
- F7** Sum in s. 65(6)(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(4)(e)**

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- F8** Words in s. 65(8) 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. 160** (with art. 13(3), Sch. 5); S.I. 2001/3538, **art. 2(1)**
- F9** Word in s. 65(10) repealed (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 46(2), 47(3), Sch. 7 para. 24(2)(a), **Sch. 9**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xiii)(cc)(ix)**
- F10** Definition in s. 65(10) inserted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 24(2)(b)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xiii)**
- F11** Words in s. 65(10) substituted (1.10.2009) by The Companies Act 2006 (Consequential Amendments, Transitional Provisions and Savings) Order 2009 (S.I. 2009/1941), art. 1(2), **Sch. 1 para. 87(3)** (with art. 10)

Modifications etc. (not altering text)

- C1** S. 65 modified (13.1.1993 for certain purposes, 1.1.1994 for all remaining purposes) by Friendly Societies Act 1992 (c. 40), s. 27, **Sch. 11 Pt. II para. 9(1)(d)(3)** (with ss. 7(5), 93(4)); S.I. 1993/16, art. 2, **Sch. 1**; S.I. 1993/2213, art. 2, **Sch. 5**.
- C2** S. 65(8): 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)**

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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](#)