



# Building Societies Act 1986

## 1986 CHAPTER 53

### PART II

#### CONSTITUTION OF BUILDING SOCIETIES

##### *Raising funds and borrowing*

#### [<sup>F17</sup> **The funding limit.**

- (1) A building society shall secure that the difference between—
- the value of X on any quarter day; and
  - the value of Y on that day or the value of Y on the immediately preceding quarter day, whichever is the greater,
- does not exceed 50 per cent of that value of X.

- (2) For the purposes of subsection (1) above—

X = the aggregate of the following, namely—

- the principal value of, and interest accrued on, shares in the society;
- the principal of, and interest accrued on, sums deposited with the society or any subsidiary undertaking of the society; and
- the principal value of, and interest accrued under, bills of exchange, instruments or agreements creating or acknowledging indebtedness and accepted, made, issued or entered into by the society or any such undertaking; and

Y = the principal value of, and interest accrued on, shares in the society held by individuals otherwise than as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

- (3) The following shall be disregarded for the purposes of subsection (2) above, namely—
- any sums or amounts which are own funds; and

*Status: Point in time view as at 01/01/2005. This version of this provision has been superseded.*

*Changes to legislation: Building Societies Act 1986, Section 7 is up to date with all changes known to be in force on or before 18 January 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)*

- (b) to the extent that they are not included in the total liabilities of the society and any subsidiary undertakings of the society as shown in the society's accounts—
  - (i) any sums deposited with the society or any such undertaking; and
  - (ii) any indebtedness created or acknowledged by bills of exchange, instruments or agreements accepted, made, issued or entered into by the society or any such undertaking.
- (4) The reference in subsection (3) above to anything being shown in a society's accounts shall be construed—
  - (a) in relation to a quarter day on which a financial year of the society ends, as a reference to its being shown in the accounts prepared by the society for that year;
  - (b) in relation to any other quarter day, as a reference to its being shown in the accounts which would have been prepared by the society for the year ending on that day if that year were a financial year of the society.
- (5) If a building society fails to comply with the requirement imposed by subsection (1) above—
  - (a) the powers conferred on the [F<sup>2</sup>Authority] by section 36 shall become exercisable in relation to the society; but
  - (b) the failure shall not affect the validity of any transaction or other act.
- (6) Where an individual declares that he is acquiring any shares in a building society otherwise than as a bare trustee (or, in Scotland, a simple trustee) for a body corporate, or for persons who include a body corporate, he shall, unless the contrary is shown, be conclusively presumed for the purposes of this section to hold the shares otherwise than as such a trustee.
- (7) The [F<sup>3</sup>Treasury may], by order—
  - (a) modify subsections (2) and (3) above in their application to liabilities of subsidiary undertakings;
  - (b) apply those subsections to corresponding liabilities of associated undertakings; or
  - (c) modify those subsections in their application to such liabilities.
- (8) An order under subsection (7) above may make—
  - (a) different provision for different circumstances;
  - (b) provision for particular liabilities of undertakings to be disregarded; and
  - (c) such supplementary, transitional and saving provision as appears to the [F<sup>4</sup>Treasury] to be necessary or expedient.
- (9) The power to make an order under subsection (7) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.]

#### **Textual Amendments**

- F1** S. 7 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. 8, 47(3); S.I. 1997/2668, art. 2, Sch. Pt. II(g)

---

*Status: Point in time view as at 01/01/2005. This version of this provision has been superseded.*

*Changes to legislation: Building Societies Act 1986, Section 7 is up to date with all changes known to be in force on or before 18 January 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)*

---

- F2** Words in S. 7 (5)(a) substituted (17.8.2001 for specified purposes and otherwise 1.12.2001) by S.I. 2001/2617, arts. 2, 8, 13(1), **Sch. 3, Pt. II para. 136(a)** (with art. 13(3), Sch. 5); S.I. 2001/3538, **art. 2(a)**
- F3** Words in s. 7(7) substituted (17.8.2001 for certain purposes and otherwise 1.12.2001) by S.I. 2001/2617, arts. 2, 8, 13(1), **Sch. 3 Pt. I para. 136(b)** (with art. 13(3), Sch. 5); S.I. 2001/3538, **art. 2(a)**
- F4** Word in s. 7(8)(c) substituted (17.8.2001 for certain purposes and otherwise 1.12.2001) by S.I. 2001/2617, arts. 2, 8, 13(1), **Sch. 3 Pt. II para. 136(c)** (with art. 13(3), Sch. 4); S.I. 2001/3538, **art. 2(a)**

---

**Modifications etc. (not altering text)**

- C1** S. 7(2) modified (1.1.2005) by The Building Societies Act 1986 (Modification of the Lending Limit and Funding Limit Calculations) Order 2004 (S.I. 2004/3200), arts. 1(2), 4
- C2** S. 7(2)(c) extended (24.6.2003) by The Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003 (S.I. 2003/1633), reg. 1(1), **Sch. 2 para. 11(a)**
- C3** S. 7(3)(b)(ii) extended (24.6.2003) by The Uncertificated Securities (Amendment) (Eligible Debt Securities) Regulations 2003 (S.I. 2003/1633), reg. 1(1), **Sch. 2 para. 11(b)**
- C4** S. 7(7)(8): Functions of the Building Societies Commission transferred (1.12.2001) to the Treasury by S.I. 2001/2617, art. 2(b), 4(1), **Sch. 1 Pt. III**; S.I. 2001/3538, **art. 2(a)**

**Status:**

Point in time view as at 01/01/2005. This version of this provision has been superseded.

**Changes to legislation:**

Building Societies Act 1986, Section 7 is up to date with all changes known to be in force on or before 18 January 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.