



# Building Societies Act 1986

## 1986 CHAPTER 53

### PART X

#### DISSOLUTION, WINDING UP, MERGERS AND TRANSFER OF BUSINESS

##### *Mergers*

#### **96 Mergers: compensation for loss of office and bonuses to members.**

- (1) The terms of an amalgamation of or transfer of engagements between building societies may include provision for compensation to be paid by a society to or in respect of any director or other officer of that or any other society for loss of office or diminution of emoluments attributable to the amalgamation or transfer, but the provision must be authorised as follows that is to say—
  - (a) except in so far as paragraph (b) below applies, the provision for such compensation to be paid by a society must be approved by the society by a resolution passed as a special resolution, not being [<sup>F1</sup>one of the two resolutions] required by section 93(2)(c) or 94(2) for the approval of the other terms of the amalgamation or transfer;
  - (b) if regulations are made under subsection (2) below authorising payments of such compensation within prescribed limits and the provision for such compensation includes only payments of amounts not exceeding the prescribed limits, the passing of [<sup>F2</sup>the two resolutions] approving the terms of the amalgamation or transfer is sufficient authority for their payment.
- (2) The [<sup>F3</sup>Treasury] may by regulations authorise payments by building societies of compensation to directors or other officers for loss of office or diminution of emoluments attributable to amalgamations of, or transfers of engagements between, societies subject to limits specified in or determinable under the regulations and the regulations may make different provision for different classes of person.
- (3) Nothing in subsection (1) or (2) above prevents a director or other officer from receiving payments from societies which, in the aggregate, exceed any limit applicable to him under subsection (2) above if the excess payment is included in provision

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approved as required by subsection (1)(a) above; but if any payment is received which has not been authorised under paragraph (a) or (b) of that subsection it shall be repaid.

- (4) The terms of an amalgamation of, or transfer of engagements between, building societies may include provision for part of the funds of one or more of the participating societies to be distributed in consideration of the amalgamation or transfer among any of the members of the participating societies, but the provision must be authorised as follows, that is to say—
- (a) subject to paragraph (b) below, the provision for such a distribution by a society shall not exceed the limits prescribed by regulations under subsection (5) below and the distribution must be approved by [<sup>F4</sup>each of the two resolutions] giving the approval of the society to the terms of the amalgamation or transfer;
  - (b) if the provision for such a distribution by a society exceeds the prescribed limits, it must be approved by [<sup>F4</sup>each of the two resolutions] of that society and each of the other societies participating in the amalgamation or transfer by which each approved the terms of the amalgamation or transfer.
- (5) The [<sup>F3</sup>Treasury] shall by regulations authorise distributions of funds to members by building societies participating in amalgamations or transfers of engagements subject to limits specified in or determinable under the regulations and the regulations may make different provision for different circumstances.
- (6) Where the terms of a transfer of engagements include provision for a distribution of the funds of the society transferring or the society undertaking the engagements and the society undertaking the engagements applies to the [<sup>F5</sup>appropriate authority] for its consent to the society’s approving the transfer by a resolution of the board of directors instead of [<sup>F6</sup>the two resolutions required by section 94(5)(a)], the [<sup>F5</sup>appropriate authority] shall not give its consent unless it is satisfied that the distribution proposed to be made by each society will not exceed the prescribed limits.
- (7) The power to make regulations under subsection (2) or (5) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (8) In this section—
- “compensation” includes the provision of benefits in kind;
  - “distribution of funds” with reference to bonuses paid to members, includes distribution by means of a special rate of interest available to members for a limited period;
  - “loss of office” includes, in relation to a director or other officer of a building society holding office in [<sup>F7</sup>any other body] by virtue of his position in that society, the loss of that office;
  - “prescribed” with reference to limits on compensation or on distributions of assets, means prescribed by regulations under subsection (2) or (5) above, as the case may be.

#### Textual Amendments

- F1** Words in s. 96(1)(a) substituted (1.12.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 44(1)(a)**; S.I. 1997/2668, art. 2, **Sch. Pt. I(j)(l)(x)**
- F2** Words in s. 96(1)(b) substituted (1.12.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 44(1)(b)**; S.I. 1997/2668, art. 2, **Sch. Pt. I(j)(l)(x)**

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- F3** Words in s. 96(2)(5) substituted (17.8.2001 for specified purposes and otherwise 1.12.2001) by S.I. 2001/2617, art. 13(1), **Sch. 3 Pt. II**, para. 180(a) (with art. 13(3), Sch. 5); S.I. 2001/3538, **art. 2(a)**
- F4** Words in s. 96(4) substituted (1.12.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 44(2)**; S.I. 1997/2668, art. 2, **Sch. Pt. I(j)(l)(x)**
- F5** Words in s. 96(6) substituted (1.4.2013) by The Financial Services Act 2012 (Mutual Societies) Order 2013 (S.I. 2013/496), art. 1(1), **Sch. 8 para. 40** (with Sch. 12)
- F6** Words in s. 96(6) substituted (1.12.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 44(3)**; S.I. 1997/2668, art. 2, **Sch. Pt. I(j)(l)(x)**
- F7** Words in s. 96(8) substituted (1.12.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 44(4)**; S.I. 1997/2668, art. 2, **Sch. Pt. I(j)(l)(x)**

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

- C1** Ss. 93–96 excluded by S.I. 1986/2168, **art. 9(2)(b)(3)**
- C2** S. 96(2)(5): Functions of Building Societies Commission transferred (1.12.2001) to the Treasury by S.I. 2001/2617, art. 4(1), **Sch. 1 Part III** (with art. 5); S.I. 2001/3538, **art. 2(a)**

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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](#)