



# Mutuals' Deferred Shares Act 2015

## 2015 CHAPTER 13

An Act to enable the law relating to societies registered and incorporated under the Friendly Societies Act 1992 and certain mutual insurers to be amended to permit or facilitate the issue of deferred shares; and to restrict the voting rights of members who hold such shares. [26th March 2015]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### **1 Power to permit or facilitate the issue of deferred shares**

- (1) The Treasury may by regulations make provision to permit or facilitate the issue of deferred shares by a friendly society or mutual insurer.
- (2) “Deferred shares” are instruments that—
  - (a) are issued by a friendly society or mutual insurer (“the issuer”) with the consent of the appropriate authority,
  - (b) can be transferred but not withdrawn,
  - (c) prohibit repayment of principal other than—
    - (i) on the winding up or dissolution of the issuer where all other sums due from the issuer to creditors claiming in the winding up or dissolution are paid in full, or
    - (ii) where the appropriate authority has consented to the repayment, and
  - (d) have such characteristics as are specified in regulations made by the Treasury under this paragraph.
- (3) Regulations under subsection (1) may modify any of the following—
  - (a) the Friendly Societies Act 1992 (as amended from time to time);
  - (b) the Companies Act 2006 (as amended from time to time);
  - (c) any other primary legislation relating to friendly societies or mutual insurers (whenever passed);

- (d) any instrument made under the legislation mentioned in any of paragraphs (a) to (c) (whenever made).
- (4) Regulations under subsection (1)—
  - (a) may not make provision that would permit or facilitate the issue of deferred shares by a friendly society or mutual insurer where it is not authorised to do so by its memorandum, rules or constitution;
  - (b) may make consequential, supplementary, incidental, transitional or saving provision;
  - (c) may make different provision for different purposes.
- (5) A deferred share issued by virtue of regulations made under subsection (1) is not a share within the meaning of the Companies Acts.
- (6) The power to make regulations under this section is exercisable by statutory instrument.
- (7) A statutory instrument containing regulations under this section may not be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.

## 2 Restriction on voting rights

- (1) Regulations under section 1(1) must make provision to ensure that no friendly society or mutual insurer will confer—
  - (a) more than one vote per person as a member on holders of deferred shares who are members of the society or insurer by virtue only of being such a holder;
  - (b) additional voting rights on a member of the society or insurer by virtue of being a holder of a deferred share where the member is a member other than by virtue of being such a holder.
- (2) Regulations under section 1(1) must make provision prohibiting the holder of a deferred share who is a member of a friendly society or mutual insurer by virtue only of being such a holder from proposing or voting in respect of any of the following—
  - (a) a resolution under section 85, 86 or 91 of the Friendly Societies Act 1992 (amalgamation, transfer of engagements or conversions);
  - (b) a resolution to similar effect in the case of a mutual insurer, including a compromise or arrangement proposed at a meeting called under section 896 of the Companies Act 2006 (court order for holding of meeting);
  - (c) an arrangement made in pursuance of section 110 of the Insolvency Act 1986 (acceptance of shares etc as consideration for sale of company property) or Article 96 of the [Insolvency \(Northern Ireland\) Order 1989 \(S.I. 1989 / 2405 \(N.I. 19\)\)](#);
  - (d) such other matters as the regulations may specify.
- (3) References in this section to the holder of a deferred share are to the holder of a deferred share issued by virtue of regulations made under section 1(1).

## 3 Definitions

- (1) In this Act—
  - “the appropriate authority” means—

- (a) in relation to a friendly society or mutual insurer which is authorised by the Prudential Regulation Authority, the Prudential Regulation Authority; and
  - (b) in relation to a friendly society or mutual insurer which is not authorised by the Prudential Regulation Authority, the Financial Conduct Authority;  
“the Companies Acts” has the same meaning as in the Companies Act 2006;  
“friendly society” means a friendly society registered and incorporated under the Friendly Societies Act 1992;  
“modify” includes amend, repeal or revoke;  
“mutual insurer” means a body corporate that—
    - (a) is a mutual undertaking that—
      - (i) is neither a friendly society nor a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014, and
      - (ii) is of such description as the Treasury may specify by regulations,
    - (b) has no share capital, and
    - (c) has permission to effect or carry out contracts of insurance under Part 4A of the Financial Services and Markets Act 2000;  
“primary legislation” means—
      - (a) an Act of Parliament,
      - (b) an Act of the Scottish Parliament,
      - (c) an Act or Measure of the National Assembly for Wales, or
      - (d) Northern Ireland legislation.
- (2) The power to make regulations conferred by paragraph (a)(ii) of the definition of “mutual insurer” is exercisable by statutory instrument.
- (3) A statutory instrument containing them is subject to annulment in pursuance of a resolution of either House of Parliament.

#### **4 Short title, commencement and extent**

- (1) This Act may be cited as the Mutuals' Deferred Shares Act 2015.
- (2) This Act shall come into force on such day as the Treasury may by regulations made by statutory instrument appoint, and different days may be appointed for different purposes.
- (3) This Act extends to the whole of the United Kingdom.