

1987 No. 1942

BUILDING SOCIETIES

The Building Societies (Business Premises) Order 1987

Made - - - - - 13th November 1987

Laid before Parliament 1st December 1987

Coming into force - 31st December 1987

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by section 17(7) of the Building Societies Act 1986(a) and of all other powers enabling it in that behalf hereby makes the following Order:

Citation and commencement

1. This Order may be cited as the Building Societies (Business Premises) Order 1987 and shall come into force on 31st December 1987.

Interpretation

2. In this Order—

“the Act” means the Building Societies Act 1986;

“group member” means, in relation to a society, the society and each associated body of the society;

“outsider” means, in relation to a society, a person who is not a group member;

“relevant time” means, in relation to a society, any day which is, or is treated for any purpose by or under the Act as, the last day of its financial year;

“society” means a building society;

“the society’s business area” means, in relation to premises of a society, the net internal area of each part of the premises which—

(a) is occupied by a group member for the purpose of conducting its business, or

(b) is intended by a group member to be occupied by it, for the purpose of conducting its business, from a date no later than the date two years after the date of acquisition of the premises by the society;

“total area”, in relation to premises, means—

(a) where the premises comprise a building or floors within a building, the net internal area of that building or, as the case may be, those floors;

(b) where the premises include land which is not built on, the aggregate of any net internal area to which subparagraph (a) of this definition refers and the area of any of such land which is let for gain; and

“valuer” means a person who is competent to value premises of a society to which this Order applies (whether or not that person is employed by the society).

Business Premises

3.—(1) Where at a relevant time premises are held under section 6 of the Act (which gives a society the power to hold land for the purposes of its business or that of a subsidiary or other associated body) by virtue of subsection (5) of that section, those premises shall be treated at that time in their entirety as land held under section 17 of the Act (which gives a society the power to hold and develop land as a commercial asset) for the purposes of the requirements of Part III of the Act for the structure of commercial assets unless—

- (a) at that time the society holds, or is treated by paragraph (2) below as holding, a current valuer's certificate which states, in relation to those premises as at a date specified in the certificate, either—
 - (i) that the society's business area is not less than 30 per cent of the total area, or
 - (ii) that, following calculations in accordance with the Schedule below, the open market value of the society's business area is not less than 30 per cent of the open market value of the entirety of the premises, and
- (b) if at the relevant time no part of the premises is or has been occupied by a group member, the society acquired the premises no more than two years before the relevant time.

(2) For the purposes of paragraph (1) above a valuer's certificate, received by the society within two months after the relevant time and which relates to the premises as at a date specified in the certificate (being no later than the relevant time), shall be treated as held by the society at the relevant time.

(3) For the purposes of paragraph (1) above, a valuer's certificate shall no longer be current where either—

- (a) the society's business area has decreased, or
- (b) in the case of a certificate given under paragraph (1)(a)(ii) above, the use (or, where the premises are not yet occupied, the intended use) of the premises, or of any part of the premises, has changed,

since the date specified for the purposes of paragraph (1)(a) above in the certificate.

In witness whereof the common seal of the Building Societies Commission is hereunto fixed, and is authenticated by me, a person authorised under paragraph 14 of Schedule 1 to the Building Societies Act 1986, on 6th November 1987.



D. B. Severn
Secretary to the Commission

We consent to this Order.

Michael Neubert
David Lightbown
13th November 1987 Two of the Lords Commissioners of Her Majesty's Treasury

SCHEDULE

Article 3(1)(a)(ii)

CALCULATION OF OPEN MARKET VALUES

1. In calculating the open market value of the entirety of premises and of a society's business area within the premises—

- (a) it shall be assumed that, where an outsider occupies an area which forms part of the society's business area, the occupation of that part (and the interest of the outsider in that part) has terminated, and
- (b) subject to subparagraph (a) above—

- (i) the open market value of the entirety of the premises shall be treated as the aggregate of the open market values of all calculable interests in the premises and each part of the premises, and
- (ii) the open market value of the society's business area shall be treated as the open market value of the entirety of the premises less the aggregate of the open market values of all calculable interests of outsiders taken into account in paragraph (i) above.

2. For the purposes of paragraph 1 above, the interest of the society is a calculable interest and so is the interest of each person occupying the premises or any part of the premises whose interest can be derived from that of the society.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order provides that business premises held by a building society, in circumstances where less than 30 per cent of the area of the premises is occupied for business purposes by the society or a subsidiary or other associated body of the society, are treated as held under section 17 of the Building Societies Act 1986 and are thus classified among class 3 assets unless it is certified by a valuer that the value of that area is not less than 30 per cent of the value of the entirety of the premises. By virtue of section 20 of that Act class 3 assets may not exceed 5 per cent of the total commercial assets of a society.