
STATUTORY INSTRUMENTS

2011 No. 2687

The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011

PART 4

Credit Unions

Deferred shares

17.—(1) In section 7 (shares)—

- (a) in subsection (2), after “Shares in a credit union” insert “, other than deferred shares,”;
- (b) in subsection (4), after “shares in a credit union” insert “, other than deferred shares,”;
- (c) at the end, insert—

“(6) If deferred shares are subscribed for in full, the credit union shall transfer a sum equal to the amount paid on those shares to its reserves.”

(2) In section 11 after subsection (1A) as inserted by article 15(3)(b) insert—

“(1B) Subsection (1) does not apply in relation to a member holding only deferred shares.

(3) In section 11A(1)(b)(1) (loans to be treated as secured) after “the member’s paid-up shareholding in the credit union” insert “, excluding any deferred shares,”.

(4) After section 31 insert—

“31A.—(1) In this Act, references to deferred shares are to a class of shares where—

- (a) the rights and obligations of the credit union and the member in respect of those shares are set out in a single document, or in a series of documents (“the issue documents”);
- (b) each of the issue documents is provided to every applicant for the shares;
- (c) one of the issue documents contains a prominent statement to the effect that the shares are deferred shares for the purposes of this Act;
- (d) each of the issue documents contains a prominent statement stating whether the shares are, or are not, an investment covered by the Financial Services Compensation Scheme (see section 213 of the Financial Services and Markets Act 2000);
- (e) any document evidencing title to the shares contains the statements required by paragraphs (c) and (d) above;
- (f) one of the issue documents contains a term which prohibits the repayment of any principal to the shareholder except in Case A or Case B.

(2) Case A is the winding up or dissolution of the credit union in circumstances where all sums due from the credit union to creditors claiming in the winding up or dissolution are paid in full.

(3) Case B is where—

- (a) the credit union applies to the Authority for consent to repay principal to the shareholder,
- (b) the credit union so applies otherwise than in consequence of a provision in any of the issue documents which requires it to apply, grants it any benefit for applying or imposes a sanction against failure to apply, and
- (c) the Authority grants consent.

(4) “Creditors” in subsection (2) above includes members holding shares, other than deferred shares, in the credit union, as regards the principal of those shares and any interest or dividend due on them.

(5) On any modification of the definition of “deferred shares” in the Building Societies Act 1986 or an instrument made under that Act, the Treasury may, by order, modify the meaning of deferred shares in this section so as to assimilate it to the modified definition.”