



## 2016 CHAPTER 16

### *Credit Unions*

#### **Corporate members of credit unions**

**1.—(1)** In Article 2(2) of the 1985 Order (interpretation) at the appropriate places insert—

““body corporate” includes a partnership regarded as a legal person under the law of the country or territory in which it was established;”;

““corporate member”, in relation to a credit union, means—

- (a) a body corporate that is a member of the credit union,
- (b) an individual who is a member of the credit union in the individual's capacity as a partner in a partnership, or
- (c) an individual who is a member of the credit union in the individual's capacity as an officer or member of the governing body of an unincorporated association;”;

““partnership” means a partnership not regarded as a legal person under the law of the country or territory in which it was established;”.

**(2)** In Article 14 of that Order (membership) for paragraph (1) substitute—

“(1) The following may be members of a credit union—

- (a) an individual (acting on his or her own behalf);
- (b) if, and to the extent, permitted by virtue of Article 14A—
  - (i) a body corporate;
  - (ii) an individual acting in the capacity as a partner in a partnership;

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(iii) an individual acting in the capacity as an officer or member of the governing body of an unincorporated association.”.

(3) After that Article insert—

**“Corporate members**

**14A.**—(1) A credit union may admit persons of a kind mentioned in Article 14(1)(b)(i) to (iii) (persons who will, if admitted, be corporate members) if its rules so provide.

(2) The number of corporate members of a credit union must not exceed 10% of the total number of members.

(3) For the purposes of paragraph (2) the number of corporate members and the total number of members are to be determined in accordance with Article 13(1A) and (1B) (membership rules: treatment of corporate members).

(4) The number of shares in a credit union allotted to corporate members must not exceed 25% of the total number of allotted shares.

(5) For the purposes of paragraph (4) the total number of allotted shares is the total found in the most recent year-end balance sheet submitted to the appropriate authority.

(6) Where shares are allotted to an individual who is a corporate member, then for the purpose of determining the amount of the interest in the shares of the credit union held by each of its members—

(a) the partnership or, as the case may be, the unincorporated association is to be treated as a member holding the shares, and

(b) the shares are not to be treated as being held by the individual.

(7) The Department may by order substitute for the percentage for the time being specified in paragraph (2) or (4) such other percentage as it considers appropriate.”.

**Removal of restriction on non-qualifying members of a credit union**

**2** In Article 14 of the 1985 Order (membership and voting rights)—

(a) in paragraph (5) omit “, subject to paragraph (6),”;

(b) omit paragraph (6).

**Interest-bearing shares**

**3.**—(1) In Article 2(2) of the 1985 Order at the appropriate place insert—  
““interest-bearing share” means a share issued on terms which entitle the holder to interest but not to a dividend;”.

(2) After Article 23 of that Order insert—

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### **“Power to issue interest-bearing shares**

**23A.**—(1) A credit union may issue interest-bearing shares if—

- (a) its rules so provide,
- (b) its most recent year-end balance sheet shows that it holds reserves of at least the threshold amount,
- (c) its auditors have made a report under Article 47 on that balance sheet,
- (d) it has given the appropriate authority a copy of the balance sheet, and
- (e) it has given the appropriate authority a copy of a relevant report, made after the date of the balance sheet.

(2) The “threshold amount” is whichever of the following is greater—

- (a) £50,000;
- (b) 5% of the credit union's total assets.

(3) A “relevant report” is a report made by the auditors appointed to audit the credit union's accounts and balance sheet, stating that in their opinion the credit union satisfies such conditions as are specified by the appropriate authority for the purposes of this paragraph.

(4) The Department may by order substitute for the amount or percentage for the time being specified in paragraph (2) such other amount or percentage as it considers appropriate.

### **Duties where interest-bearing shares have been issued**

**23B.**—(1) This Article applies to a credit union that has issued interest-bearing shares.

(2) The credit union must give the appropriate authority a relevant report each year, by the date specified by the appropriate authority for the purposes of this paragraph.

(3) The credit union must convert any interest-bearing shares in issue into shares that are not interest-bearing if—

- (a) its rules cease to provide for the issue of interest-bearing shares,
- (b) neither its most recent year-end balance sheet nor the year-end balance sheet preceding it shows that the credit union holds reserves of at least the threshold amount,
- (c) neither of those balance sheets was given to the appropriate authority by the specified date, or
- (d) for two consecutive years it has not complied with paragraph (2).

(4) In this Article—

“relevant report” and “threshold amount” have the same meaning as in Article 23A;

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“specified date”, in relation to a credit union's year-end balance sheet, means the date by which rules under the 2000 Act require the credit union to give a copy of the balance sheet to the appropriate authority.”.

VALID FROM 06/04/2018

### **Attachment of shares**

4.—(1) In Article 23 of the 1985 Order (shares)—

- (a) in paragraph (3) after “paragraph (4)” insert “ and Article 28(1E) ”;
- (b) for paragraph (4) substitute—

“(4) Where a credit union has made a loan to a member which is treated by virtue of Article 28A as a secured loan, the member must not be permitted to withdraw shares if the member's shareholding is (or following withdrawal would be) less than the member's total liability.

(5) In paragraph (4)—

- (a) the member's “shareholding” is the member's paid-up shareholding in the credit union;
- (b) the member's “total liability” is the member's total liability (including contingent liability) to the credit union whether as borrower, guarantor or otherwise;
- (c) where the loan has been made to an individual in his or her capacity as a corporate member, the member's “shareholding” and “total liability” are any shareholding and total liability in that capacity.”.

(2) In Article 28 of that Order (loans by credit unions) after paragraph (1D) (inserted by paragraph 9 of Schedule 1) insert—

“(1E) The terms of a loan made from a credit union to a member (other than a loan treated by virtue of Article 28A as a secured loan) must state whether, for the duration of the loan, the borrower is permitted to withdraw shares where the borrower's shareholding is (or following withdrawal would be) less than the borrower's total liability.

(1F) In paragraph (1E)—

- (a) the borrower's “shareholding” is the borrower's paid-up shareholding in the credit union;
- (b) the borrower's “total liability” is the borrower's total liability (including contingent liability) to the credit union whether as borrower, guarantor or otherwise;
- (c) where the loan is made to an individual in his or her capacity as a corporate member, the borrower's “shareholding” and

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“total liability” are any shareholding and total liability in that capacity.”.

### **Supply by credit union of copies of its rules**

**5** In Article 12 of the 1985 Order (provision of copies of rules) for paragraph (1) substitute—

“(1) A credit union must, on demand, give a copy of its registered rules—

- (a) free of charge to any member of the credit union who has not previously been given a copy of those rules;
- (b) to any other person upon payment of such fee (not exceeding £5) as the credit union may determine.

(1A) The Department may by regulations substitute for the amount for the time being specified in paragraph (1)(b) such other amount as it considers appropriate.”.

### **Application of surplus funds for social, cultural or charitable purposes**

**6** In Article 36(5) of the 1985 Order (restriction on application of surplus for social, cultural or charitable purposes) omit “of not less than 3 per cent per annum (or such other rate as an order may specify)”.

### **Application of directors disqualification provisions to credit unions**

**7** In the Company Directors Disqualification (Northern Ireland) Order 2002 after Article 25A insert—

#### **“Application of Order to credit unions**

**25B.**—(1) This Order applies to credit unions as it applies to companies.

(2) Accordingly, in this Order—

- (a) references to a company include a credit union,
- (b) references to a director of a company include a member of the board of directors of a credit union, and
- (c) references to an officer of a company include an officer of a credit union.

(3) In its application in relation to credit unions, this Order has effect as if—

- (a) in Article 5(1) the reference to striking off included the cancellation of the registration of a credit union under the 1985 Order;

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- (b) in Articles 6(1) and 8(1) references to the companies legislation included the 1985 Order;
  - (c) Articles 11A to 11E were omitted;
  - (d) references to the registrar were to the registrar as defined in Article 2A of the 1985 Order;
  - (e) references to a shadow director were omitted.
- (4) In this Article—
- “board of directors”, “credit union” and “officer” (in relation to a credit union) have the meaning given by Article 2(2) of the 1985 Order;
  - “the 1985 Order” means the Credit Unions (Northern Ireland) Order 1985.”.

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