



# National Loans Act 1968

## 1968 CHAPTER 13

### *Government lending*

#### **2 Substitution of National Loans Fund for Consolidated Fund in scheduled enactments.**

The enactments in Schedule 1 to this Act (which—

- (a) authorise advances or loans out of the Consolidated Fund, or
- (b) create commencing capital debts or other obligations to the Consolidated Fund, or
- (c) authorise payments out of the Consolidated Fund which are to be repaid out of Votes),

.....<sup>F1</sup> shall be amended in accordance with those Schedules.

#### **Textual Amendments**

**F1** Words repealed by Overseas Development and Co-operation Act 1980 (c. 63, SIF 88), s. 18, Sch. 2 Pt. I

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

**C1** The text of s. 2 and Sch. 5 is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and, except as specified, does not reflect any amendments or repeals which may have been made prior to 1.2.1991.

#### **3 Local loans.**

[<sup>F2</sup>(1) The Treasury may issue out of the National Loans Fund such sums as are required for making loans of the descriptions set out in Schedule 4, subject to the limit in section 4.]

(2) Interest on [<sup>F3</sup>local loans] shall be paid at such rates as the Treasury may determine from time to time in accordance with section 5 of this Act.

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- (3) All sums paid or applicable in or towards the discharge of the principal or interest of any [<sup>F4</sup>local loans], whether before or after the coming into force of this section, shall be paid by the [<sup>F5</sup>Treasury] into the National Loans Fund:

Provided that where security for a loan is enforced in any manner the net receipts only shall be so paid into the National Loans Fund.

- (4) Any sum payable in respect of Irish land purchase annuities which, but for the provisions of this section, would be payable into the Local Loans Fund under section 26(2) of the <sup>M1</sup>Government of Ireland Act 1920, or under any other enactment, shall be paid into the National Loans Fund.
- (5) Subject to the limit in this Act, . . . <sup>F6</sup>, the [<sup>F7</sup>Treasury's] power of making [<sup>F8</sup>local loans] shall include power to enter into undertakings to make [<sup>F8</sup>local loans].
- (6) The [<sup>F9</sup>Treasury] shall, as respects each financial year, prepare <sup>F10</sup>... an account of [<sup>F11</sup>local loans made] in the financial year, and of the sums paid or applicable in the financial year in or towards the discharge of the principal or interest of [<sup>F12</sup>local loans], whether before or after the coming into force of this section, and send it to the Comptroller and Auditor General not later than the end of November next following the end of the financial year and the Comptroller and Auditor General shall examine, certify and report on the account and lay copies of it, together with his report, before each House of Parliament.

(7) . . . . . <sup>F13</sup>

(8) . . . . . <sup>F14</sup>

[<sup>F15</sup>(11) The Public Works Loans Act 1875 and any enactments amending that Act shall apply to local loans.]

[<sup>F16</sup>(12) In this Act "local loans" means loans made, in pursuance of this section, of the descriptions set out in Schedule 4 to this Act.]

#### Textual Amendments

- F2** S. 3(1) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(2)** (with art. 9)
- F3** Words in s. 3(2) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(3)** (with art. 9)
- F4** Words in s. 3(3) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(4)(a)** (with art. 9)
- F5** Word in s. 3(3) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(4)(b)** (with art. 9)
- F6** Words repealed by Finance Act 1984 (c. 43, SIF 99:3), ss. 125(2)(a), 128(6), **Sch. 23 Pt. XIV**
- F7** Word in s. 3(5) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(5)(a)** (with art. 9)
- F8** Words in s. 3(5) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(5)(b)** (with art. 9)
- F9** Word in s. 3(6) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(6)(a)** (with art. 9)
- F10** Words in s. 3(6) omitted (25.2.2020) by virtue of The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(6)(b)** (with art. 9)
- F11** Words in s. 3(6) substituted (25.2.2020) by The Public Bodies (Abolition of Public Works Loan Commissioners) Order 2020 (S.I. 2020/176), art. 1(2), **Sch. 1 para. 64(6)(c)** (with art. 9)

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- F12** Words in s. 3(6) substituted (25.2.2020) by [The Public Bodies \(Abolition of Public Works Loan Commissioners\) Order 2020 \(S.I. 2020/176\)](#), art. 1(2), **Sch. 1 para. 64(6)(d)** (with art. 9)
- F13** S. 3(7) repealed by [Statute Law \(Repeals\) Act 1989 \(c. 43\)](#), s. 1(1), **Sch. 1 Pt. II**
- F14** S. 3(8)–(10) repealed by [Statute Law \(Repeals\) Act 1989 \(c. 43\)](#), s. 1(1), **Sch. 1 Pt. II**
- F15** S. 3(11) substituted (25.2.2020) by [The Public Bodies \(Abolition of Public Works Loan Commissioners\) Order 2020 \(S.I. 2020/176\)](#), art. 1(2), **Sch. 1 para. 64(7)** (with art. 9)
- F16** S. 3(12) substituted (25.2.2020) by [The Public Bodies \(Abolition of Public Works Loan Commissioners\) Order 2020 \(S.I. 2020/176\)](#), art. 1(2), **Sch. 1 para. 64(8)** (with art. 9)

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

- C2** S. 3(11) applied (*temp.* 14.11.1995 to 1.4.1996) by [S.I. 1995/2766](#), **art. 2(1)**

**Marginal Citations**

- M1** [1920 c. 67.](#)

**[<sup>F17</sup>4 Limit for local loans.**

- (1) The aggregate of—
- (a) any commitments of the [<sup>F18</sup>Treasury] outstanding in respect of undertakings entered into by them to grant local loans; and
  - (b) any amount outstanding in respect of the principal of any local loans;
- shall not at any time exceed [<sup>F19</sup>£115 billion] or such other (lower or higher) sum, not exceeding [<sup>F20</sup>£135 billion], as the Treasury may from time to time specify by order made by statutory instrument.
- (2) No order shall be made under this section unless a draft of it has been laid before and approved by a resolution of the Commons House of Parliament.]

**Textual Amendments**

- F17** S. 4 substituted by [Finance Act 1984 \(c. 43, SIF 99:3\)](#), **s. 125(1)**
- F18** Word in s. 4(1)(a) substituted (25.2.2020) by [The Public Bodies \(Abolition of Public Works Loan Commissioners\) Order 2020 \(S.I. 2020/176\)](#), art. 1(2), **Sch. 1 para. 65** (with art. 9)
- F19** Sum in s. 4(1) substituted (12.5.2022) by [Finance Act 2020 \(c. 14\)](#), **s. 112(1)(a)(3)**; [S.I. 2022/531](#), **reg. 2**
- F20** Sum in s. 4(1) substituted (12.5.2022) by [Finance Act 2020 \(c. 14\)](#), **s. 112(1)(b)(3)**; [S.I. 2022/531](#), **reg. 2**

**[<sup>F21</sup>5 Rates of interest.**

- (1) This section has effect as respects any rate of interest—
- (a) which under any provision in Schedule 1 to this Act is to be determined in accordance with this Act, or
  - (b) which is to be determined by the Treasury under section 3 of this Act,
- and, where any enactment passed after this Act provides for the payment of interest on advances or loans made out of the National Loans Fund, and for the rate at which that interest is to be payable to be determined or approved by the Treasury, then, except as otherwise expressly provided, this section has effect as respects that rate of interest.
- (2) For any loan or class of loans the Treasury may determine or approve either—

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- (a) a fixed rate of interest, that is to say a specified rate or a formula rate which is to be applied, throughout the period of the loan or any loan of that class, with the value which it has when the loan is made, or
- (b) a variable rate of interest, that is to say a formula rate which is to be applied, for each of the successive periods of the loan or any loan of that class which are of a length specified in the determination or approval (in this section referred to as interest periods), with the value which it has at the beginning of that period; and in this subsection “formula rate” means a rate which is so expressed (whether by means of a formula or otherwise) that it will or may have different values at different times.
- (3) The Treasury shall, on each occasion when they determine or approve a fixed rate of interest for a loan or class of loans, satisfy themselves that the rate would be at least sufficient to prevent a loss if—
- (a) the loan, or any loan of that class—
- (i) were made forthwith, and
  - (ii) were met out of money borrowed by the Treasury at the lowest rate at which the Treasury are for the time being able to borrow money (of whatever amount) for a comparable period, and on other comparable terms, and
- (b) the interest on the money so borrowed, together with the Treasury’s expenses of borrowing, were set off against the interest received on the loan.
- (4) The Treasury shall, on each occasion when they determine or approve a variable rate of interest for a loan or class of loans, satisfy themselves that the rate would be at least sufficient to prevent a loss if—
- (a) the loan, or any loan of that class,—
- (i) were made forthwith,
  - (ii) were to be repaid at the end of its first interest period, and
  - (iii) were met out of money borrowed by the Treasury at the lowest rate at which the Treasury are for the time being able to borrow money (of whatever amount) for a comparable period, and
- (b) the interest on the money so borrowed were set off against the interest received on the loan.
- (5) If at any time the Treasury are satisfied that a rate of interest determined or [F22]approved for a class of loans] would not meet the requirements of subsection (3) or, as the case may be, subsection (4) above if it were determined or approved at that time, that determination or approval shall be [F22]withdrawn at the earliest convenient time, and, subject to subsection (5A) below, from that or such later time as may be convenient another rate determined or approved in accordance with subsection (3) or, as the case may be, subsection (4) above shall come into force for further loans of that class.]
- [ If, in the case of a loan of any class,—
- <sup>F23</sup>(5A) (a) an undertaking was given to the person to whom the loan was to be made that the rate of interest which would apply to that loan would be that which, at a time specified in or determined in accordance with the undertaking, was or would be in force for loans of that class, and
- (b) before the loan was in fact made, the determination or approval of that rate of interest was withdrawn by virtue of subsection (5) above or otherwise ceased to be effective,

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the rate of interest which applies to that loan shall be that which was in force for loans of that class at the time specified in, or as the case may be determined in accordance with, the undertaking.

- (5B) In subsection (5A) above “undertaking” means an undertaking given by the person by whom the loan in question was to be made and, where that person is not the Treasury, given by that person with the consent of the Treasury.]
- (6) The Treasury may in determining or approving a rate of interest take into account any consideration justifying a rate higher than that required by sub-section (3) or (4) above.
- (7) Different fixed rates of interest may be determined or approved in respect of loans which are to be made for the same length of time, and different variable rates of interest may be determined or approved for loans which are to have interest periods of the same length.

<sup>F24</sup>(8) . . . . . ]

**Textual Amendments**

- F21** S. 5 substituted by [Finance Act 1982 \(c. 39, SIF 99:3\), s. 153\(1\)](#)
- F22** Words substituted by [Finance Act 1983 \(c. 28, SIF 99:3\), s. 44\(2\)](#)
- F23** Words inserted by [Finance Act 1983 \(c. 28, SIF 99:3\), s. 44\(3\)](#)
- F24** S. 5(8) repealed (16.7.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\), ss. 80\(1\)\(2\), 82, Sch. 18 Pt. XII.](#)

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

- C3** S. 5 applied by [Pensions Act 2007 \(c. 22\), Sch. 6 para. 18\(3\)](#) (as substituted (26.11.2008) by [Pensions Act 2008 \(c. 30\), ss. 82, 149\(2\)](#))
- C4** S. 5 applied (5.7.2010) by [Pensions Act 2008 \(c. 30\), s. 149\(1\), Sch. 1 para. 18\(3\)](#); S.I. 2010/10, art. 2(a)
- C5** S. 5 applied (E.W.) by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\), s. 9\(9\), Sch. 3, para. 1\(5\)](#)
- C6** S. 5 applied (E.W.) by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\), s. 9\(9\), Sch. 3, para. 1\(5\)](#)  
S. 5 applied (1.12.1998) by [1998 c. 38, s. 87\(2\)](#) (with ss. 139(2), 143(2)); S.I. 1998/2789, [art. 2](#)  
S. 5 applied (1.1.1999) by [1998 c. 46, ss. 68\(1\), 130](#) (with s. 126(3)-(11)); S.I. 1998/3178, [art. 2\(1\)](#)
- C7** S. 5 applied by [Government Trading Funds Act 1973 \(c. 63, SIF 99:1\), s. 2B\(4\)](#) (as substituted (26.7.1990) by [Government Trading Act 1990 \(c. 30, SIF 99:1\), s. 1\(1\)](#) (with s. 5(3))
- C8** S. 5(2) excluded by [Coal Industry Act 1973 \(c. 8\), s. 1\(6\)](#) and [Crown Agents Act 1979 \(c. 43\), ss. 17\(8\), 20\(5\)](#)
- C9** S. 5(5)–(5B) applied (E.W.) by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\), s. 9\(5\), Sch. 3, para. 1\(5\)](#)
- C10** S. 5(5)–(5B) applied (S.) by [National Health Service \(Scotland\) Act 1978 \(c. 29, SIF 113:2\), Sch. 7B para. 1\(5\)](#) as substituted by [National Health Service and Community Care Act 1990 \(c. 19, SIF 113:2\), s. 32, Sch. 6](#)

**6 Rates of interest on local loans.**

- (1) Subsection (2) below shall have effect for the construction—
- (a) of references in the enactments set out below to the rate of interest in respect of any particular class of loans to local authorities, and

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- (b) of references in any other enactment passed, or in any document made, before 27th February 1964 (the date of passing of the <sup>M2</sup>Public Works Loans Act 1964) to the rate fixed by the Treasury under section 1 of the <sup>M3</sup>Public Works Loans Act 1897 in respect of loans of a particular class.

The said enactments are—

- ..... F25  
 ..... F26  
 section 83(2) of the <sup>M4</sup>Housing (Scotland) Act 1935  
 paragraph 5(1) proviso of Schedule 7 to the <sup>M5</sup>Housing (Scotland) Act 1950  
 F27 . . .  
 paragraph 7(1) proviso of Schedule 3 to the <sup>M6</sup>Housing (Financial Provisions) Act 1958  
 ..... F28  
 ..... F29  
 section 11(2)(a) of the <sup>M7</sup>Housing (Scotland) Act 1962  
 section 3(4) of the <sup>M8</sup>Local Authorities (Land) Act 1963  
 section 7(4) of the <sup>M9</sup>Local Government (Development and Finance) (Scotland) Act 1964.

- (2) Any such reference shall be construed, where the time in question falls after 31st March 1968, as a reference to the rate at that time determined by the Treasury in respect of local loans of the class in question made on the security of local rates or, where more than one rate is so applicable, to such one of those rates as the Treasury may from time to time direct either generally or with respect to any particular enactment or document.

The Treasury shall cause any such direction to be published in the London and Edinburgh Gazettes as soon as may be after the giving of the direction.

- (3) For the purposes of this section—
- (a) the expression “local rate” means any rate levied or assessed, the proceeds of which are applicable to public local purposes, and which is levied on the basis of a valuation of property, and includes any sum which, though obtained in the first instance by a precept, certificate or other instrument requiring payment from some authority or officer, is or can be ultimately raised out of such a rate as aforesaid,
- (b) the expression “security of local rates” includes a security guaranteed by a local rate.

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#### Textual Amendments

- F25** Words repealed by (S.) [Housing \(Financial Provisions\) \(Scotland\) Act 1972 \(c. 46\), Sch. 8 para. 9, Sch. 11 Pt. IV](#) and (E.W.) [Housing Finance Act 1972 \(c. 47\) Sch. 8 para. 2 and Sch. 11 Pt. IV](#)
- F26** Reference repealed by [Housing \(Consequential Provisions\) Act 1985 \(c. 71, SIF 61\), s. 3, Sch. 1 Pt. I](#)
- F27** Words in s. 6(1) repealed (s.) by [Local Government \(Scotland\) Act 1975 \(c. 30\) Sch. 7](#) and repealed (E.W.) (1.12.1991) by [Water Consolidation \(Consequential Provisions\) Act 1991 \(c. 60, SIF 130\), ss. 3\(1\), 4\(2\), Sch. 3 Pt. I](#) (with s. 2(2), Sch. 2 paras. 10, 14(1), 15)
- F28** Words repealed by [Highways Act 1980 \(c. 66, SIF 59\), s. 343\(3\), Sch. 25](#)
- F29** Reference repealed by [Housing \(Consequential\) Provisions Act 1985 \(c. 71, SIF 61\), s. 3, Sch. 1 Pt. I](#)

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**Marginal Citations**

- M2** 1964 c. 9.
- M3** 1897 c. 51.
- M4** 1935 c. 41.
- M5** 1950 c. 34.
- M6** 1958 c. 42.
- M7** 1962 c. 28.
- M8** 1963 c. 29.
- M9** 1964 c. 67.

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