Credit Unions Act 1979

1979 CHAPTER 34

Operation of credit union

7 Shares.

(1) All shares in a credit union shall be of £1 denomination and may, subject to the rules of the credit union, be subscribed for either in full or by periodical or other subscriptions but no share shall be allotted to a member until it has been fully paid in cash.

(2) Shares in a credit union **[**[F1], other than deferred shares,**]** shall not be transferable and a credit union shall not issue to a member a certificate denoting ownership of a share.

(3) Nothing in subsection (2) above shall affect the operation of section 24(1) of the 1965 Act (transfer in pursuance of nomination on death of nominator).

(4) Subject to subsection (5) **[**[F2]and section 11(1C)**]** below, shares in a credit union **[**[F3], other than deferred shares,**]** shall be withdrawable but a credit union shall not issue shares except on terms enabling it to require not less than sixty days' notice of withdrawal.

[[F4](5) Where a credit union has made a loan to a member which is treated by virtue of section 11A(2) below as a secured loan, the member shall not be permitted to withdraw shares where his paid-up shareholding, excluding any deferred shares, in the credit union is, or following the withdrawal would be, less than his total liability (including contingent liability) to the credit union whether as borrower, guarantor or otherwise.**]**

[[F5](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.**]**

Textual Amendments

F1 Words in s. 7(2) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **17(1)(a)** (with arts. 25, 26)

F2 Words in s. 7(4) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **18(1)(a)** (with arts. 25, 26)

F3 Words in s. 7(4) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **17(1)(b)** (with arts. 25, 26)

F4 S. 7(5) substituted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **18(1)(b)** (with arts. 25, 26, 27)

F5 S. 7(6) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **17(1)(c)** (with arts. 25, 26)

[[F6]7A. Power to issue interest-bearing shares

(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 £50,000 or five per cent of its total assets, whichever is greater;

(c) its auditors have made a report under section 9 of the Friendly and Industrial and Provident Societies Act 1968 on that balance sheet;

(d) it has submitted that balance sheet to the Authority; and

(e) it has submitted to the Authority a report by its auditors (post-dating the balance sheet referred to in paragraph (b) above), stating that in their opinion the credit union satisfies such conditions as are specified by the Authority for the purpose.

(2) A credit union which issues interest-bearing shares must submit to the Authority an annual report by the auditors appointed to audit its accounts and balance sheet fulfilling the requirements of paragraph (e) of subsection (1) above by the date specified by the Authority for the purpose.

(3) A credit union shall convert any interest-bearing shares in issue into shares which are not interest-bearing if—

(a) its rules no longer provide for the issue of interest-bearing shares;

(b) neither its most recent year end balance sheet nor the balance sheet immediately preceding it—

(i) shows that the credit union holds reserves of at least £50,000 or five per cent of its total assets, whichever is greater; or

(ii) has been submitted to the Authority by the date specified; or

(c) for two consecutive years it has not complied with subsection (2) above.

(4) The Treasury may by order provide for subsections (1)(b) and (3)(b)(i) above to have effect as if the references to £50,000 and five per cent were references to such other sum or percentage as they think appropriate.

(5) In this section "year end balance sheet" has the same meaning as in section 3A of the Friendly and Industrial and Provident Societies Act 1968.

(6) In this Act "interest-bearing share" means a share issued on terms which entitle the holder to interest but not to a dividend.**]**

Textual Amendments

F6 S. 7A inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **19(1)** (with arts. 25, 26)

8 General prohibition on deposit-taking.

(1) Subject to sections 9 and 10 below, a credit union shall not accept a deposit from any person except by way of subscription for its shares.

[F7](2) . . . . . .

[F7](4) . . . . . .

[F7](5) . . . . . .

Textual Amendments

F7 S. 8(2)(4)(5) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(5)

9 Deposits by persons too young to be members.

(1) A credit union may take deposits [F8]. . .from a person who is under the age at which, by virtue of **[**[F9]any provision of the credit union's rules**]**, he may become a member of the credit union [F8]. . .

[F10](2) . . . . . .

[F10](3) . . . . . .

[F10](4) . . . . . .

[F10](5) . . . . . .

Textual Amendments

F8 Words in s. 9(1) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(6)(a)

F9 Words in s. 9 substituted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **8(2)** (with arts. 25, 26)

F10 S. 9(2)-(5) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(6)(b)

[[F11]9A Power to charge for ancillary services

(1) A credit union which provides an ancillary service to a member or any other person from whom the credit union has accepted a deposit may charge **[**[F12]such fee as it considers appropriate for**]** providing that service.

(2) In this section, "ancillary service" means any service which is ancillary to the activity of accepting a deposit or making a loan, and includes—

(a) the making or receiving of payments, made by way of standing order, direct debit or any other means, as agent for a member or any other person from whom the credit union has accepted a deposit;

(b) issuing and administering means of payment (for example, chequebooks and debit cards);

(c) money transmission services;

(d) giving advice on the services specified by paragraphs (a) to (c) above.**]**

Textual Amendments

F11 S. 9A inserted (13.2.2003) by Regulatory Reform (Credit Unions) Order 2003 (S.I. 2003/256), arts. 1, **5**

F12 Words in s. 9A(1) substituted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **20** (with arts. 25, 26, 28)

10 Power to borrow money.

(1) A credit union may borrow money [F13]. . ..

[F14](2) . . . . . .

[F14](3) . . . . . .

[F14](4) . . . . . .

[F14](5) . . . . . .

[F14](6) . . . . . .

Textual Amendments

F13 Words in s. 10(1) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(7)(a)

F14 S. 10(2)-(6) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(7)(b)

11 Loans.

[[F15](1) **[**[F16]Subject as follows,**]** A credit union may make to a member a loan, upon such security (or without security) and terms as the rules of the credit union may provide.**]**

[[F17](1A) A credit union may only make a loan to a corporate member if—

(a) the credit union's rules provide that it may make loans to corporate members, and

(b) making the loan would not result in the aggregate of the outstanding balances on loans made by the credit union to corporate members exceeding ten per cent of the aggregate of the outstanding balances on all loans made by the credit union to members, or such higher percentage as may be specified.**]**

[[F18](1B) Subsection (1) does not apply in relation to a member holding only deferred shares. **]**

[[F19](1C) Where a loan by a credit union is made to a member and is not a secured loan within the meaning of section 11A below, the terms of the loan must include provision as to whether, for the duration of the loan, the borrower is permitted to withdraw shares where his paid-up shareholding (excluding any deferred shares) in the credit union is, or following the withdrawal would be, less than his total liability (including contingent liability) to the credit union whether as borrower, guarantor or otherwise.**]**

[F20](2) . . . . . .

[F21](3) . . . . . .

[F22](4) . . . . . .

(5) A credit union may charge interest on loans made by it but such interest shall be at a rate not exceeding one per cent. per month, or such other rate as may from time to time be specified, on the amount of the loan outstanding and such interest shall be inclusive of all administrative and other expenses incurred in connection with the making of the loan.

[F20](6) . . . . . .

(7) In this section "specified" means specified by order made by the [F23]. . . Treasury.

Textual Amendments

F15 S. 11(1) substituted (2.7.2002) by S.I. 2002/1501, **arts. 1(1)**, 2(8)(a)

F16 Words in s. 11(1) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **15(3)(a)** (with arts. 25, 26)

F17 S. 11(1A) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **15(3)(b)** (with arts. 25, 26)

F18 S. 11(1B) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **17(2)** (with arts. 25, 26)

F19 S. 11(1C) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **18(2)** (with arts. 25, 26)

F20 S. 11(2)(6) repealed (2.7.2002) by 2000 c. 8, ss. 338(4), 432(3), Sch. 18 Pt. V para. 22, **Sch. 22**; S.I. 2001/3538, **art. 2(5)**

F21 S. 11(3) repealed (1.9.1996) by S.I. 1996/1189, **art. 6(a)**

F22 S. 11(4) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(8)(b)

F23 Words in s. 11(7) repealed (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1)(2), Sch. 3 Pt. IV para. 273, **Sch. 4** (with art. 13(3)); S.I. 2001/3538, **art. 2(1)**

Modifications etc. (not altering text)

C1 S. 11(7): Functions of the chief registrar transferred to the Treasury (1.12.2001) by S.I. 2001/2617, arts. 2(b), 4(1), **Sch. 1 Pt. I** (with art. 5); S.I. 2001/3538, **art. 2(1)**

[[F24]11A Loans to be treated as secured

(1) This section applies where—

(a) a credit union makes a loan to a member of the credit union, and

(b) at the time the loan is made, the member's paid-up shareholding in the credit union**[**[F25], excluding any deferred shares,**]** is equal to or greater than his total liability (including contingent liability) to the credit union, whether as borrower, guarantor or otherwise.

(2) On the application of the member to the credit union, the loan shall be treated for the purposes of this Act as a secured loan.**]**

Textual Amendments

F24 S. 11A inserted (1.9.1996) by S.I. 1996/1189 arts. 1, 5

F25 Words in s. 11A(1)(b) inserted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **17(3)** (with arts. 25, 26)

[F26]11B . . . . . .

Textual Amendments

F26 S. 11B repealed (2.7.2002) by 2000 c. 8, ss. 338(4), 432(3), Sch. 18 Pt. V para. 23, **Sch. 22**; S.I. 2001/3538, **art. 2(5)**

[F27]11C . . . . . .

Textual Amendments

F27 S. 11C repealed (2.7.2002) by 2000 c. 8, ss. 338(4), 432(3), Sch. 18 Pt. V para. 23, **Sch. 22**; S.I. 2001/3538, **art. 2(5)**

[F28]11D . . . . . .

Textual Amendments

F28 S. 11D repealed (2.7.2002) by 2000 c. 8, ss. 338(4), 432(3), Sch. 18 Pt. V para. 23, **Sch. 22**; S.I. 2001/3538, **art. 2(5)**

12 Power to hold land for limited purposes.

(1) A credit union may hold, purchase or take on lease in its own name any land for the purpose of conducting its business thereon but, subject to subsection (3) below, for no other purpose, and may sell, exchange, mortgage or lease any such land, and erect, alter or pull down buildings on it.

(2) In the application of subsection (1) above to Scotland—

(a) for the word “exchange" there shall be substituted the word “ excamb" ”, and

(b) for the word “mortgage" there shall be substituted the words “ grant a heritable security over" ”.

(3) A credit union shall have power to hold any interest in land so far as is necessary for the purpose of making loans to its members on the security of an interest in land and of enforcing any such security.

[F29](4) . . . . . .

[F29](5) . . . . . .

(6) No person shall be bound to inquire as to the authority for any dealing with land by a credit union; and the receipt of a credit union shall be a discharge for all moneys arising from or in connection with any dealing with land by it.

Textual Amendments

F29 S. 12(4)(5) repealed (2.7.2002) by 2000 c. 8, ss. 338(4), 432(3), Sch. 18 Pt. V para. 24, **Sch. 22**; S.I. 2001/3538, **art. 2(5)**

[F30]13 . . . . . .

Textual Amendments

F30 S. 13 omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(9)

14 Computation and application of profits.

[F31](1) . . . . . .

[F32](2) . . . . . .

[F32](3) . . . . . .

[[F33](4) The dividend payable on any shares of a credit union shall—

(a) on its dissolution, not exceed a rate of 8 per cent per annum or such other rate as may be specified by order made by the Treasury; and

(b) at any other time, not exceed that rate except to the extent that the rules of the credit union provide otherwise.**]**

[F32](5) . . . . . .

[F32](6) . . . . . .

[F31](7) . . . . . .

Textual Amendments

F31 S. 14(1)(7) omitted (2.7.2002) by virtue of S.I. 2002/1501, **arts. 1(1)**, 2(10)

F32 S. 14(2)(3)(5)(6) repealed (2.7.2002) by 2000 c. 8, ss. 338(4), 432(3), Sch. 18 Pt. V para. 25, **Sch. 22**; S.I. 2001/3538, **art. 2(5)**

F33 S. 14(4) substituted (8.1.2012) by The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (S.I. 2011/2687), arts. 1(1)(b), **21** (with arts. 25, 26)

Status:
Point in time view as at 08/01/2012.

Changes to legislation:
There are currently no known outstanding effects for the Credit Unions Act 1979, Cross Heading: Operation of credit union.