



Building Societies Act 1986

1986 CHAPTER 53

PART III

ADVANCES, LOANS AND OTHER ASSETS

Commercial asset structure requirements

20 Commercial asset structure requirements for building societies.

- (1) The requirements for the structure of commercial assets applicable to building societies are the following.
- (2) The class 2 assets or, if it has class 3 assets, the aggregate of the class 2 and class 3 assets held by a building society at the end of a financial year shall not exceed whichever is the greater of—
 - (a) 10 per cent. of the total commercial assets held by the society at that time, or
 - (b) an amount corresponding to that percentage of the total commercial assets held by the society at the end of the preceding financial year.
- (3) The class 3 assets (if any) held by a building society at the end of a financial year shall not exceed whichever is the greater of—
 - (a) 5 per cent. of the total commercial assets held by the society at that time, or
 - (b) an amount corresponding to that percentage of the total commercial assets held by the society at the end of the preceding financial year.
- (4) The Treasury may by order made by statutory instrument direct that subsection (2) or (3) above shall have effect during the currency of the order as if such percentage as is specified in the order were substituted for the percentage specified in that subsection, not being a percentage greater than 25 per cent. in the case of subsection (2) and 15 per cent. in the case of subsection (3) above.
- (5) An order under subsection (4) above may—
 - (a) divide class 3 assets into sub-classes for the purposes of the order by reference to the provision of or made under this Part from which they arise;

Status: Point in time view as at 01/02/1991.

Changes to legislation: Building Societies Act 1986, Cross Heading: Commercial asset structure requirements is up to date with all changes known to be in force on or before 20 September 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (b) subject to subsection (6) below, prescribe different limits for different sub-classes; and
- (c) make such transitional provision as appears to the Treasury to be necessary or expedient;

and any reference in this Act to a limit for a class of commercial assets shall, if a limit is in force under subsection (4) above for any sub-class of class 3 assets, be construed as including a reference to the limit for that sub-class.

- (6) No order under subsection (4) above shall prescribe as a limit for a sub-class of class 3 assets a percentage of total commercial assets less than the percentage in force immediately before the making of the order for that sub-class or, if the subclass is created by the order, for class 3 assets generally
- (7) An order under subsection (4) above shall not be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.
- (8) The amount or value of the assets of any class of a building society for the purposes of this section is the amount or value as shown in the latest balance sheet or such other amount or value as the Commission determines to be the correct or, as the case requires, appropriate amount or value; and where the Commission determines an amount or value under this subsection the appropriate alterations shall be noted against the annual accounts of the society kept in the public file of the society.
- (9) In determining for the purposes of this section the asset holding of a building society with which another body corporate is associated there shall, subject to subsection (12) below, be attributed to the society, in accordance with aggregation rules made by the Commission with the consent of the Treasury under this subsection, the whole or part of the assets of whatever description of the associated body, as provided in the rules and subject to any exceptions provided in the rules.
- (10) The power to make aggregation rules under subsection (9) above includes power to make—
 - (a) different rules for different circumstances,
 - (b) provision for assets of societies to be disregarded,
 - (c) provision for assets to be attributed to any class of assets of societies, and
 - (d) such supplementary, transitional and saving provisions as appear to the Commission to be necessary or expedient.
- (11) The power to make aggregation rules under subsection (9) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (12) The Commission may, on the application of a building society, approve rules to be applied for the purposes of this section for the attribution to the society of assets of bodies associated with the society; and so long as the rules continue to be approved by the Commission they, and not the aggregation rules in force under subsection (9) above, shall apply for the attribution of assets for the purposes of this section.
- (13) If the commercial assets of any class of a building society exceed the limits in force under this section the powers conferred on the Commission by section 36 shall become exercisable in relation to the society, but exceeding the limit shall not affect the validity of transactions effected in excess of it nor require the disposal of any assets.

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Modifications etc. (not altering text)

- C1** S. 20 modified (*temp.*) by S.I. 1986/2168, **art. 8(3)**
- C2** S. 20 modified by S.I. 1986/2168, **art. 4(2)(a)(i)(3)**
- C3** S. 20 amended (*temp.*) by Building Societies (Limits on Commercial Assets) Order 1988, S.I. 1988/1142, **art. 2**
- C4** S. 20(2)(3) excluded by S.I. 1986/2168, **art 5**

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