



# Banking Act 1987

## 1987 CHAPTER 22

### PART VI

#### MISCELLANEOUS AND SUPPLEMENTARY

#### **103 Municipal banks**

- (1) References in this Act to a municipal bank are to a company within the meaning of the Companies Act 1985 which—
  - (a) carries on a deposit-taking business,
  - (b) is connected with a local authority as mentioned in subsection (2) below, and
  - (c) has its deposits guaranteed by that local authority in accordance with subsection (5) below.
- (2) The connection referred to in paragraph (b) of subsection (1) above between a company and a local authority is that—
  - (a) the company's articles of association provide that the shares in the company are to be held only by members of the local authority; and
  - (b) substantially all the funds lent by the company are lent to the local authority.
- (3) Where on 9th November 1978 a company or its predecessor—
  - (a) was carrying on a deposit-taking business, and
  - (b) was connected with a local authority as mentioned in subsection (2) above,that local authority or its successor may for the purposes of this Act resolve to guarantee deposits with the company.
- (4) A resolution passed by a local authority under subsection (3) above may not be rescinded.
- (5) Where a local authority has passed a resolution under subsection (3) above or under section 48(3) of the Banking Act 1979, that local authority and any local authority which is its successor shall be liable, if the company concerned defaults in payment, to make good to a depositor the principal and interest owing in respect of any deposit with the company, whether made before or after the passing of the resolution.

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*Status: This is the original version (as it was originally enacted).*

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(6) For the purposes of this section—

- (a) one company is the predecessor of another if that other succeeds to its obligations in respect of its deposit-taking business; and
- (b) one local authority is the successor of another If, as a result of, or in connection with, an order under Part IV of the Local Government Act 1972 or Part II of the Local Government (Scotland) Act 1973 (change of local government area), it becomes connected as mentioned in subsection (2) above with a company formerly so connected with that other local authority.