



Building Societies Act 1997

1997 CHAPTER 32

PART III

ACCOUNTABILITY TO MEMBERS

25 Special meeting on members' requisition

After paragraph 20 of Schedule 2 to the 1986 Act there shall be inserted the following paragraph—

“Special meeting on members' requisition

- 20A (1) On a members' requisition, a building society shall—
- (a) duly call a special meeting, and specify the meeting as such in the notice calling it; and
 - (b) if so required by the requisition, send to each member entitled to receive notice of the meeting a copy of a statement of not more than 500 words with respect to the matters to be dealt with at the meeting;
- and where a meeting is so called no business shall be conducted at the meeting other than that stated in the notice calling it or (where applicable) that mentioned in sub-paragraph (8)(b) below.
- (2) A members' requisition is a requisition of not less than the requisite number of members of the society; and that number is 100 or such lesser number as may be specified in the rules of the society.
- (3) The requisition—
- (a) must state the objects of the meeting, be signed by the requisitionists and be deposited at the society's principal office; and
 - (b) may consist of several documents in like form each signed by one or more requisitionists and each after the first deposited within three months of the date on which the first was deposited.

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- (4) Where the requisition consists of several documents, the date of its deposit shall be taken to be the date on which the document signed by the requisitioner making up the requisite number is deposited at the society's principal office.
- (5) The rules of the society may require a requisitioner—
- (a) to state his full name and address;
 - (b) to fulfil one or other of the following conditions, namely—
 - (i) to have been a shareholding member for a specified period and to hold, or to have held at any time during that period, shares in the society to such value (not greater than the prescribed amount) as is specified in the rules; and
 - (ii) to have been a borrowing member for a specified period and to owe to the society, or to have owed to the society at any time during that period, a mortgage debt of such amount (not greater than the prescribed amount) as is so specified; and
 - (c) to identify a share or mortgage account with the society which will evidence the fact that he fulfils one or other of those conditions;
- and in this sub-paragraph “specified period” means such period (not more than two years) before the date of the requisition as is specified in the rules.
- (6) No objection may be made by virtue of such rules to the requisition or, where the requisition consists of several documents, to any of those documents unless it is made within 14 days of the requisition or document being deposited at the society's principal office.
- (7) The rules of the society may also require a sum of money, not exceeding £25 per requisitioner, to be deposited with the requisition; and, where any money is so deposited, it shall be forfeited to the society, or returned to the persons who deposited it, as provided by the rules.
- (8) The rules shall not provide for any deposited money to be forfeited to the society except—
- (a) where a quorum is not present within half an hour after the time appointed for the meeting; or
 - (b) where and to the extent that those eligible to vote at the meeting decide by ordinary resolution that the money should be applied to defray the whole or any part of the expenses of holding the meeting.
- (9) If the rules of a building society so provide, sub-paragraph (1) above does not require the society—
- (a) to call a special meeting if the only or main object of the meeting is to move a resolution in substantially the same terms as any resolution which has been defeated at a meeting or on a postal ballot during the period beginning with the third annual general meeting before the date on which the requisition is deposited at the society's principal office; or
 - (b) to call a special meeting to be held during the period of four months beginning one month after the end of its financial year.

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- (10) Sub-paragraph (1)(b) above does not require the society to send copies of a statement to members entitled to receive notice of a meeting in any case where—
- (a) publicity for the statement would be likely to diminish substantially the confidence in the society of investing members of the public; or
 - (b) the rights conferred by sub-paragraph (1)(b) above are being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes;
- and that provision shall not be taken to confer any rights on members, or to impose any duties on a building society, in respect of a statement which does not relate directly to the affairs of the society.
- (11) Where sub-paragraph (1)(b) above requires copies of a statement to be sent to members entitled to receive notice of a meeting, the proceedings at the meeting are not invalidated by—
- (a) the accidental omission to send a copy of the statement to a member entitled to receive one, or
 - (b) the non-receipt of such a copy by such a member.
- (12) The Commission shall hear and determine any dispute arising under sub-paragraph (10)(a) above, whether on the application of the society or of any other person who claims to be aggrieved.
- (13) The Commission may, with the consent of the Treasury, by order substitute—
- (a) for the number specified in sub-paragraph (2) above; or
 - (b) for the sum specified in sub-paragraph (7) above,
- such other number or sum as appears to it to be appropriate; and an order under this subsection may make such supplementary, transitional and saving provision as appears to the Commission to be necessary or expedient.
- (14) The power to make an order under sub-paragraph (13) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.”

26 Failure to comply with members' requisition

After paragraph 20A of Schedule 2 to the 1986 Act there shall be inserted the following paragraph—

“Failure to comply with members' requisition

- 20B (1) This paragraph applies where a members' requisition is deposited at a building society's principal office and the society is not relieved of the obligation to call a special meeting by paragraph 20A(9)(a) above.
- (2) Subject to sub-paragraph (5) below, if the society does not within 28 days from the date of the deposit of the requisition duly call a meeting to be held within 63 days from that date—

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- (a) the requisitionists, or any proportion of them exceeding one half, may themselves call a meeting to be held within five months from that date; and
 - (b) no business shall be conducted at a meeting so called other than that stated in the notice calling it or (where applicable) that mentioned in paragraph 20A(8)(b) above.
- (3) A meeting called under sub-paragraph (2) above by requisitionists shall be called in the same manner, as nearly as may be, as that in which meetings are to be called by the society.
- (4) If—
- (a) paragraph 20A(1)(b) above requires the society to send to each member entitled to receive notice of the meeting a copy of a statement of not more than 500 words with respect to the matters to be dealt with at the meeting; and
 - (b) subject to sub-paragraph (5) below, that requirement is not complied with within 28 days from the date of the deposit of the requisition,
- the requisitionists, or any proportion of them exceeding one half, may themselves send a copy of the statement to each such member.
- (5) If the rules of the society make such provision as is mentioned in paragraph 20A(9)(b) above, any days falling within the period there mentioned shall be disregarded in determining any period for the purposes of sub-paragraph (2) or (4)(b) above.
- (6) Any reasonable expenses incurred by the requisitionists by reason of the failure of the society to call a meeting, or to comply with such a requirement as is mentioned in sub-paragraph (4) above, shall be repaid to the requisitionists by the society.
- (7) Any sum so repaid shall be recoverable by the society from such of the directors of the society as were responsible for the failure (whether by the retention of fees or other remuneration in respect of services or otherwise).”

27 Election of directors: general

- (1) In subsection (1) of section 60 of the 1986 Act (directors: elections and retirements), for paragraph (a) there shall be substituted the following paragraph—
- “(a) on a poll taken at the annual general meeting of the society, or”.
- (2) After that subsection there shall be inserted the following subsection—
- “(1A) Where directors of a building society are to be elected to office on a poll taken at the annual general meeting of the society, a form for the appointment of a proxy shall be sent to each person entitled to notice of the meeting.”
- (3) For subsection (3) of that section there shall be substituted the following subsections—
- “(3) Where, in the case of an election of directors of a building society, there are more candidates than vacancies to be filled by the election, a person entitled to vote in the election—
- (a) shall have one vote in respect of every vacancy, but

- (b) cannot be required to cast all or any of his votes.
- (3A) Where, in the case of an election of directors of a building society, there are not more candidates than vacancies to be filled by the election—
- (a) a person entitled to vote in the election shall have one vote in respect of every candidate, but cannot be required to cast all or any of his votes;
 - (b) each vote shall be capable of being cast either for or against the candidate concerned; and
 - (c) a candidate shall be elected if, and only if, more votes are cast for him than against him.”
- (4) In subsection (4) of that section, for the words “any person” there shall be substituted the words “any natural person”.
- (5) In subsection (10) of that section, for paragraph (b) there shall be substituted the following paragraph—
- “(b) their qualifications as respects length of membership and the value of their shares or the amount of their mortgage debt;”.
- (6) After that subsection there shall be inserted the following subsection—
- “(10A) A nomination of a candidate for election as a director of a building society—
 - (a) may be made at any time; but
 - (b) if made after the closing date for the nomination of candidates for the next election of directors, shall be carried forward (unless the candidate otherwise requires) as a nomination for the next election of directors after that;and in this subsection and section 61 “the closing date for the nomination of candidates”, in relation to an election of directors, means the last day of the last financial year to end before the voting date.”
- (7) In subsection (17) of that section, the definition of “ordinary resolution” shall cease to have effect.

28 Election of directors: supplementary

- (1) For subsections (1) and (2) of section 61 of the 1986 Act (directors: supplementary provisions as to elections etc.) there shall be substituted the following subsections—
- “(1) Rules made under section 60(10)(a), in order to comply with this section, must not require—
 - (a) in the case of a society whose total commercial assets do not exceed £100 million, more than 10 members;
 - (b) in the case of a society whose total commercial assets exceed £100 million but do not exceed £250 million, more than 20 members;
 - (c) in the case of a society whose total commercial assets exceed £250 million but do not exceed £1,000 million, more than 30 members;
 - (d) in the case of a society whose total commercial assets exceed £1,000 million but do not exceed £5,000 million, more than 40 members; and
 - (e) in the case of a society whose total commercial assets exceed £5,000 million, more than 50 members,

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to join in nominating a person for election as a director.

(2) Rules under section 60(10)(b), in order to comply with this section, must not require a nominating member—

- (a) to have been a member for more than two years before the date of the nomination; or
- (b) if he claims eligibility as a shareholding member, to hold, or to have held at any time during that period, shares in the society to a value greater than £100; or
- (c) if he claims eligibility as a borrowing member, to owe to the society, or to have owed to the society at any time during that period, a mortgage debt of an amount greater than £100.”

(2) For subsection (4) of that section there shall be substituted the following subsections—

“(3A) In subsection (1) above “total commercial assets”, in relation to a building society, means the difference between the total assets of the society as shown in the relevant accounts and the aggregate of—

- (a) the liquid assets of the society as shown in those accounts in pursuance of regulations under section 73(7); and
- (b) the fixed assets of the society as so shown;

and in this subsection “the relevant accounts” means the accounts which, immediately before the closing date for the nomination of candidates, were the accounts last prepared by the society under section 72.

(4) The Commission may, by order, substitute—

- (a) for any amount or number specified in subsection (1) above;
- (b) for any amount specified in subsection (2) above; or
- (c) for any amount or percentage specified in subsection (3) above,

such other amount, number or percentage as it thinks appropriate; and the Commission may, with the consent of the Treasury, by order vary subsection (3A) above by adding to or deleting from it any provision or by varying any provision contained in it.”

(3) In subsection (7) of that section—

- (a) for the words from “If” to “nominations” there shall be substituted the words “If, before the closing date for the nomination of candidates, a duly nominated candidate for election as a director of a building society furnishes the society with an election address, or a revised election address, of not more than 500 words”; and
- (b) in paragraph (a), after the words “the address” there shall be inserted the words “or, as the case may require, the revised address”.

(4) In subsection (8) of that section—

- (a) after the words “an address”, in both places where they occur, there shall be inserted the words “or a revised address”; and
- (b) after the words “the address” there shall be inserted the words “or revised address”.

29 Acquisition or establishment of a business

After section 92 of the 1986 Act there shall be inserted the following section—

“New business

92A Acquisition or establishment of a business

- (1) A building society—
- (a) in order to acquire, or allow a subsidiary undertaking to acquire, a business to which subsections (3) and (4) below apply; or
 - (b) in order to establish, or allow such an undertaking to establish, a business to which subsections (3) and (5) below apply,
- must resolve so to do by an ordinary resolution; but a failure to comply with this subsection shall not invalidate any transaction or other act.
- (2) In order to be effective for the purposes of subsection (1) above, an ordinary resolution of a building society must be passed by a majority of the members of the society entitled to vote on such a resolution and voting either—
- (a) in person or by proxy on a poll on the resolution at a meeting of the society; or
 - (b) in a postal ballot on the resolution;
- and in a case falling within paragraph (a) above, a form for the appointment of a proxy shall be sent to each person entitled to notice of the meeting.
- (3) This subsection applies to a business which is proposed to be acquired or established if, in the opinion of the board of directors of the society—
- (a) the greater part of the income of the business is or will be derived from activities having no connection with loans secured on residential property;
 - (b) the greater part of the resources of the business are or will be devoted to such activities; or
 - (c) the greater part of the business consists or will consist of such activities.
- (4) This subsection applies to a business which is proposed to be acquired if X is not less than 15 per cent of Y where—
- X = the amount or value of the consideration to be given for the shares, voting rights or assets proposed to be acquired;
 - Y = the amount of the society’s own funds as at the relevant date.
- (5) This subsection applies to a business which is proposed to be established if X is not less than 15 per cent of Y where—
- X = the aggregate of the following as estimated by the society, namely—
- (a) the cost of acquiring, developing, adapting or repairing any premises required for the purposes of the business;
 - (b) the initial cost of acquiring any plant or equipment, or any intellectual property, so required;
 - (c) the initial cost of employing or training staff so required;
 - (d) the cost of obtaining any professional advice required in connection with the establishment of the business;
 - (e) any other non-recurring items of expenditure to be incurred in that connection; and

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- (f) in the case of a business proposed to be established by a subsidiary undertaking, the amount of any capital to be provided by the society which will not be used for defraying items of expenditure falling within the foregoing paragraphs;

Y = the amount of the society's own funds as at the relevant date.

- (6) Where a business is proposed to be acquired or established by a syndicate whose members include a building society or subsidiary undertaking—
- (a) subsection (1) above shall have effect as if the business were proposed to be acquired or (as the case may be) established by the society; and
 - (b) whichever of subsections (4) and (5) above is applicable shall have effect as if X were only so much of X as is referable to participation in the syndicate by the society or undertaking.
- (7) For the purposes of subsections (1)(a) and (4) above, two or more proposed acquisitions by a building society or subsidiary undertaking which will form part of a larger acquisition or series of acquisitions shall be treated as a single acquisition.
- (8) Nothing in this section shall apply in relation to a building society in so far as it undertakes, in accordance with section 94 and Schedule 16 to this Act, to fulfil engagements transferred to it in accordance with that section and that Schedule.
- (9) In this section—
- “initial”, in relation to any cost, means incurred, or likely in the directors' opinion to be incurred, not later than 12 months after the establishment of the business;
- “intellectual property” includes—
- (a) any patent, know-how, trade mark, service mark, registered design, copyright or design right; and
 - (b) any licence under or in respect of any such right;
- “the relevant date”, in relation to a building society, means—
- (a) the date of the end of its last financial year or, failing that, the date of its establishment; or
 - (b) where it has been involved in a transfer of engagements, the date of that transfer,
- whichever is the later.
- (10) The Commission may, with the consent of the Treasury, by order substitute for the percentage specified in subsection (4) or (5) above such other percentage as appears to it to be appropriate; and an order under this subsection may make such supplementary, transitional and saving provision as appears to the Commission to be necessary or expedient.
- (11) The Commission may, with the consent of the Treasury, by order vary subsections (5) and (9) above by adding to or deleting from them any provision or by varying any provision contained in them; and an order under this subsection may make—
- (a) different provisions for different cases or purposes; and
 - (b) such supplementary, transitional and saving provision as appears to the Commission to be necessary or expedient.

- (12) The power to make an order under subsection (10) or (11) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.”

30 Information about transfers or proposed transfers of business

- (1) In subsection (1) of section 98 of the 1986 Act (transfers of business: supplementary provisions), after the word “statements” there shall be inserted the words “or summaries”.
- (2) After that subsection there shall be inserted the following subsection—
- “(1A) Part IA of that Schedule shall have effect for imposing requirements for notification by a building society, to its members and to the central office, of the receipt by the society of a proposal for the transfer of the whole of its business to a company.”
- (3) For Part I of Schedule 17 to the 1986 Act there shall be substituted, as Parts I and IA, the provisions set out in Parts I and II respectively of Schedule 5 to this Act (information about transfers or proposed transfers of business).

31 Transfers of business: increased remuneration etc

After section 99 of the 1986 Act there shall be inserted the following section—

“99A Transfers of business: increased remuneration etc

- (1) Subject to subsection (2) below, the terms of a transfer of business by a building society to the company which is to be its successor may include provision for any director or other officer of the society to receive increased emoluments in consequence of the transfer, whether by way of increased remuneration or the grant of share options or otherwise.
- (2) An ordinary resolution approving any such provision must be put before a meeting of the society.”