



Building Societies Act 1997

1997 CHAPTER 32

PART I

CONSTITUTION AND POWERS

2 Membership and liability of members

(1) In paragraph 5 of Schedule 2 to the 1986 Act (membership), for sub-paragraphs (1) and (2) there shall be substituted the following sub-paragraphs—

“(1) The rules of a building society shall provide that no person shall be a member of the society unless he is a shareholding member or a borrowing member or both.

(2) In this Act, in relation to a building society—

“borrowing member” means, subject to sub-paragraphs (2A) and (2B) and paragraph 29(2) below, an individual who is indebted to the society—

- (a) in respect of a loan which is fully secured on land; or
- (b) if the rules of the society so provide, in respect of a loan which is (within the meaning of the rules) substantially secured on land;

“shareholding member” means a person who holds a share in the society.

(2A) If the rules of a building society so provide, an individual shall cease to be a borrowing member at any time if at that time the society—

- (a) takes possession of, or exercises its power of sale in relation to, the whole or any part of the land on which the loan is secured; or
- (b) obtains an order for foreclosure absolute or, in Scotland, foreclosure in respect of the whole or any part of that land.

Status: This is the original version (as it was originally enacted).

- (2B) Unless the rules of a building society so provide, an individual shall not be a borrowing member at any time if at that time the loan is owed to the society in equity rather than at law.”
- (2) In sub-paragraph (3) of that paragraph—
- (a) in paragraph (b), after the words “may not” there shall be inserted the words “propose a resolution,”; and
 - (b) in paragraph (c), after the words “may not” there shall be inserted the words “join in requisitioning a special meeting or”.
- (3) For paragraph 6 of that Schedule there shall be substituted the following paragraph—
- “6 (1) The liability at any time of a shareholding member of a building society shall be limited to the amount which, at that time, has been actually paid, or is in arrear, on his shares in the society.
- (2) The liability at any time of a borrowing member of a building society shall be limited to the amount which, at that time, is payable under the mortgage or other security by which his indebtedness to the society in respect of the loan is secured.”
- (4) For sub-paragraph (2) of paragraph 29 of that Schedule (borrowing members' resolutions) there shall be substituted the following sub-paragraph—
- “(2) For the purposes of this Part of this Schedule, an individual who is indebted to a building society in respect of a loan fully secured on land is not a borrowing member of the society at any time if at that time the amount of his mortgage debt is less than the prescribed amount.”