

---

STATUTORY INSTRUMENTS

---

**1995 No. 1872**

**BUILDING SOCIETIES**

**The Building Societies (Limits on Transactions with Directors) Order 1995**

<i>Made</i>	- - - -	<i>17th July 1995</i>
<i>Laid before Parliament</i>		<i>20th July 1995</i>
<i>Coming into force</i>	- -	<i>1st September 1995</i>

The Building Societies Commission, with the consent of the Treasury, in exercise of the powers conferred on it by sections 64(3) and 65(8) of the Building Societies Act 1986<sup>(1)</sup> hereby makes the following Order:

**Citation and Commencement**

1. This Order may be cited as the Building Societies (Limits on Transactions with Directors) Order 1995 and shall come into force on 1st September 1995.

**Limit on transactions with directors**

2. Section 64 of the Building Societies Act 1986 (substantial property transactions involving directors and connected persons) is amended by the substitution in subsection (2)(a) for “£50,000” of “£100,000”.

**Limit on certain loans etc to directors**

3. In section 65 of the Building Societies Act 1986 (Restrictions on loans, etc to directors and persons connected with them) the provisions specified in column 1 of the table set out in the Schedule hereto shall be varied by the substitution, for the respective amounts specified in column 2 of the table, of the respective amounts set out in column 3 thereof.

---

(1) 1986 c. 53.

---

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

---

In witness whereof the common seal of the Building Societies Commission is hereunto fixed, and is authenticated by me, a person authorised under paragraph 14 of Schedule 1 to the Building Societies Act 1986, on

L.S.

13th July 1995.

*J. Dennis*  
Secretary to the Commission

We consent to this Order.

17th July 1995

*D. Conway*  
*A. Mackay*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

## SCHEDULE

Article 3

## Table of substituted sums

Provision	Present amount	Substituted amount
Section 65(2)(a) (small loans)	£2,500	£5,000
Section 65(2)(c) (loans on preferential terms for house purchase)	£50,000	£100,000
Section 65(3)(a) (small leases)	£5,000	£10,000
Section 65(4)(a) (short loans)	£1,000	£5,000
Section 65(6)(b) (director's expenditure for society's purposes)	£10,000	£20,000

**EXPLANATORY NOTE***(This note is not part of the Order)*

Section 64(1) of the Building Societies Act 1986 prohibits a building society from entering into arrangements whereby a director or a person connected with him acquires non-cash assets of the requisite value from the society, or whereby the society acquires non-cash assets of the requisite value from a director or connected person unless in either case the arrangement is approved by a resolution passed in a general meeting. Section 64(2) fixes the requisite value for that purpose at £50,000, or in the case of societies with reserves less than £500,000, ten per cent. of these reserves, or £1,000, whichever be the higher. Section 64(3) enables the Building Societies Commission, by order made with Treasury consent, to vary these amounts. This Order increases the figure for the maximum requisite value from £50,000 to £100,000.

Section 65 of the Act prohibits building societies from entering into certain other transactions with directors or connected persons, unless the transaction is approved in general meeting or subject to other exceptions, notably that a society may make loans in the ordinary course of business and on terms not more favourable than it would offer to an unconnected person, or in the case of an executive director, on terms similar to those it offers to employees, provided that the loan is for the purchase or improvement of a dwelling house used or to be used as the director's only or main residence and provided that the loan does not exceed £50,000. Subsection (8) enables the Commission, with Treasury consent to vary the sums specified in the section. Article 3 of the Order with the Schedule increases the limits in the section, making them comparable with limits in the Companies Acts. The amount of the limit on preferential loans to an executive director is increased to £100,000.

A review of the cost of compliance with this Order has been undertaken and the resulting compliance cost assessment may be obtained from the Secretary, Building Societies Commission, 15 Great Marlborough Street, London W1V 2LL.

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.