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STATUTORY INSTRUMENTS

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**1996 No. 1189**

**The Deregulation (Credit Unions) Order 1996**

**Loans by approved credit unions**

7. After section 11A of the 1979 Act there shall be inserted—

**“Loans by approved credit unions**

**11B.**—(1) Where a credit union holds a certificate of approval under section 11C below, section 11 above shall have effect in relation to it with the following modifications.

(2) For subsection (2) there shall be substituted—

“(2) The total amount on loan to a member of a credit union shall not at any time exceed his total paid-up shareholding in the credit union by more than—

(a) the greater of—

- (i) £10,000 (or such other sum as may from time to time be specified), and
- (ii) 1.5 per cent. of the total paid-up shareholdings in the credit union, or

(b) the greater of—

- (i) 20 per cent. of the credit union’s general reserve, and
  - (ii) £5,000 (or such other sum as may from time to time be specified),
- whichever is the less.”.

(3) After that subsection there shall be inserted—

“(2A) Where subsection (2) above would be breached in relation to a member of a credit union because of a reduction in—

- (a) the total shareholdings in the credit union, or
- (b) the amount of the credit union’s general reserve,

that subsection shall, in relation to him, have effect, as respects any amount on loan to him immediately before the reduction, as if there were added at the end “at the time of the loan, or latest loan, to the member”.”

(4) In subsection (4), at the beginning there shall be inserted “Subject to subsection (4A) below,” and after that subsection there shall be inserted—

“(4A) Where a loan by a credit union is made at a time when it has a general reserve which is not less than 10 per cent. of its total assets, the maximum period within which the loan must be repaid shall be ten years in the case of a secured loan and four years in the case of an unsecured loan, or such other period as may from time to time be specified.”

(5) After subsection (6) there shall be inserted—

“(6A) A credit union shall not at any time make a loan to a member if the making of such a loan would—

- (a) bring the total amount outstanding in respect of loans to relevant members above five times the credit union’s general reserve, or

- (b) increase the amount by which the total amount so outstanding exceeds five times the credit union's general reserve.

(6B) For the purposes of subsection (6A) above, a member of a credit union is a relevant member if the amount on loan to him from the credit union exceeds his paid-up shareholding in the credit union by an amount equal to at least 10 per cent. of the credit union's general reserve.

(6C) For the purposes of this section, the total assets or general reserve of, or total shareholdings in, a credit union at any time shall be taken to be the total assets, general reserve or total shareholdings as shown in the most recent audited balance sheet to have been sent to the appropriate registrar under section 39 of the 1965 Act.”.

### **Grant of certificates of approval**

**11C.**—(1) The appropriate registrar may, on the application of a credit union, issue a certificate of approval to it if it appears to him that, in relation to the kind of lending permitted under section 11B above, the arrangements for the management of the credit union and its activities are satisfactory.

- (2) Applications under subsection (1) above shall be in writing.

(3) The appropriate registrar may only refuse an application under subsection (1) above if he has complied with subsections (4) and (5) below.

(4) Not less than fourteen days before refusing an application under subsection (1) above, the appropriate registrar shall serve on the credit union concerned a notice stating that he proposes to refuse the application and specifying the grounds on which he proposes to do so.

- (5) The appropriate registrar shall—

- (a) consider any representations with respect to a notice under subsection (4) above which may be made to him by the credit union concerned within such period as he may allow, not being less than fourteen days from the date on which the notice is served, and
- (b) if the credit union concerned so requests, afford it an opportunity of being heard by him within that period.

### **Withdrawal of certificates of approval**

**11D.**—(1) The appropriate registrar may at any time withdraw a certificate of approval if—

- (a) it appears to him that, in relation to the kind of lending permitted under section 11B above, the arrangements for the management of the credit union concerned or its activities are not satisfactory, or
- (b) the credit union concerned so requests.

(2) Subsections (3) to (5) of section 11C above shall apply in relation to the exercise of the power conferred by subsection (1)(a) above as they apply in relation to the refusal of an application under subsection (1) of that section.

(3) Where, when a credit union ceases to be the holder of a certificate of approval, there is on loan to a member of the credit union an amount which exceeds the limit applicable under section 11(2)—

- (a) that provision shall have effect to prohibit the making of any loan by the credit union to the member in breach of that limit, but

(b) the limit on the total amount which may be on loan to the member shall otherwise continue to be that which applied immediately before the day on which the credit union ceased to be the holder of a certificate of approval.

(4) The fact that a credit union ceases to hold a certificate of approval shall not affect the validity of any term which is in force immediately before the day on which the credit union ceases to be the holder of such a certificate and which relates to the period within which a loan by the credit union must be repaid.

(5) In this section, “certificate of approval” means a certificate of approval under section 11C above.”