

**THE THIRD SCHEDULE
before referred to**

**CO-OPERATIVE DEPOSIT PROTECTION SCHEME
CODE OF PRACTICE**

PART A

CONDUCT OF DEPOSIT TAKING AND INVESTMENT BUSINESS

OPENING AN ACCOUNT

6. Participating Societies will satisfy themselves about the identity of any persons seeking to open an account to assist in protecting their members and customers and themselves against fraud and other mis-use of their investment services.

7. Participating Societies will provide to prospective investors details of the identification needed.

TERMS AND CONDITIONS

8. Written terms and conditions of investments will be expressed in plain language and will provide a fair and balanced view of the relationship between the member or customer and the Participating Society.

9. Participating Societies will tell members and customers how any variation of the terms and conditions will be notified. Participating Societies will give members and customers reasonable notice before any variation takes effect.

10. Participating Societies should issue to their members and customers, if there are sufficient changes in a 12 month period to warrant it, a single document to provide a consolidation of the variations made to their terms and conditions over that period.

11. Participating Societies will not close the accounts of any members or customers without first giving reasonable notice.

INTEREST

12. Participating Societies will provide members and customers with details of the interest earned by their respective deposits. These will be in the form of published tariffs which will:—

(A) be given and sent to members and customers:—

- (i) when accounts are opened
- (ii) at any time on request
- (iii) before changes are made

(B) and be available in branches.

13. Participating Societies will tell members and customers the interest rates applicable to their accounts, the basis on which interest is calculated and when it will accrue or be added to their accounts. Participating Societies will explain also the basis on which they may vary interest rates.

14. When Participating Societies change interest rates with immediate effect they will publicise those changes by notices in their branches and in the press.

Status: This is the original version (as it was originally made).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

CONFIDENTIALITY

15. Participating Societies will observe a strict duty of confidentiality about their members and customers personal financial affairs and will not disclose details of members or customers accounts or their names and addresses to any third party except as permissible under the rules of Participating Societies other than in the four exceptional cases permitted by law, namely:—

- (i) where a Participating Society is legally compelled to do so;
- (ii) where there is a duty to the public to disclose;
- (iii) where the interests of a Participating Society require disclosure;
- (iv) where disclosure is made at the request or with the consent of the member or customer.

16. Participating Societies will not use exception (iii) above to justify the disclosure for marketing purposes of details of members or customers accounts or their names and addresses to any third party including other societies or companies within the same group.

17. Participating Societies will at all times comply with the Data Protection Act 1984 when obtaining and processing members and customers data.

Participating Societies will explain to their members and customers their right of access under the Data Protection Act 1984 to their personal records held on computer files.

MARKETING OF SERVICES

18. Participating Societies will not pass members or customers names and addresses to other societies or companies in the same group in the absence of express consent.

19. Participating Societies will give new members and customers at the time they open their accounts the opportunity to give instructions that they do not wish to receive marketing material.

20. Participating Societies will remind members and customers from time to time and at least once every three years of their right to give instructions at any time that they do not wish to receive marketing material.

21. Participating Societies will not use direct mail indiscriminately and in particular will exercise restraint and be selective:—

- (a) where members or customers are minors; and
- (b) when marketing securities and investments.

22. Participating Societies in their advertising and promotional material will tell members and customers and potential members and customers that their intended investment will be subject to approval by the Participating Societies concerned.

23. Participating Societies will act responsibly and prudently in marketing their investments and securities. All advertising will comply with the British Code of Advertising Practice, the British Code of Sales Promotion Practice, and other relevant Codes of Practice of similar standing.

In particular Participating Societies will ensure that all advertising and promotional literature is fair and reasonable, does not contain misleading information and complies with all relevant legislation.

CREDIT LIMITS

- (a) (a) No Participating Society will take deposits in the form of withdrawable share capital or loan capital the aggregate of which shall at any time exceed the amount of the credit limit determined by applying the formula set out in sub-clause 24(b) below;

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- (b) The credit limit referred to in sub-clause 24(a) above shall be determined by applying the following formula—

$$\frac{R}{B}$$

where

R is a figure equivalent to 150% (or such lesser proportion not being less than 100% as the Board may from time to time determine) of the Society's distributable reserves (meaning the total revenue reserves of the Society) and B is the aggregate amount of the Society's borrowings (as defined in clause 24(c) below) both as recorded in the most recent annual return of the Society to the Registrar of Friendly Societies or in the audited financial statements submitted with that return.

- (c) For the purpose of the formula set out in sub-clause 24(b) above the expression "the aggregate amount of the Society's borrowings" means but is not restricted to the total of moneys on loan from the Superannuation Fund, Bank Loans, Finance Leases (as per Accounting Standard SSAP21 or any modification or replacement thereof), Other Loans, Bank Overdrafts, Petrol Company Loans, Bank Borrowings, Loans from Regional Development Agencies and similar government quangos, Bonds, Notes, Loan Stock, Debentures, Acceptances, Documentary Credits, Deferred Payments for assets tangible or otherwise acquired, and Letters of Credit, together with all other borrowings and loans of whatsoever description but excluding borrowings protected under the Scheme, moneys due under operating leases, and all contingent liabilities, and reduced by cash and balances at bank with the exception of monies held on trust for funeral bond holders.

CORPORATE GOVERNANCE—CODE OF BEST PRACTICE

25. Participating Societies will observe and implement the recommendations of the Code of Best Practice in relation to their corporate governance as published by the Central Executive of the Union in July 1995.