
STATUTORY INSTRUMENTS

2011 No. 2687

The Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011

PART 4

Credit Unions

Interest-bearing shares

19.—(1) After section 7, insert—

“Power to issue interest-bearing shares

7A.—(1) A credit union may issue interest-bearing shares if—

- (a) its rules so provide;
- (b) its most recent year end balance sheet shows that it holds reserves of at least £50,000 or five per cent of its total assets, whichever is greater;
- (c) its auditors have made a report under section 9 of the Friendly and Industrial and Provident Societies Act 1968 on that balance sheet;
- (d) it has submitted that balance sheet to the Authority; and
- (e) it has submitted to the Authority a report by its auditors (post-dating the balance sheet referred to in paragraph (b) above), stating that in their opinion the credit union satisfies such conditions as are specified by the Authority for the purpose.

(2) A credit union which issues interest-bearing shares must submit to the Authority an annual report by the auditors appointed to audit its accounts and balance sheet fulfilling the requirements of paragraph (e) of subsection (1) above by the date specified by the Authority for the purpose.

(3) A credit union shall convert any interest-bearing shares in issue into shares which are not interest-bearing if—

- (a) its rules no longer provide for the issue of interest-bearing shares;
- (b) neither its most recent year end balance sheet nor the balance sheet immediately preceding it—
 - (i) shows that the credit union holds reserves of at least £50,000 or five per cent of its total assets, whichever is greater; or
 - (ii) has been submitted to the Authority by the date specified; or
- (c) for two consecutive years it has not complied with subsection (2) above.

(4) The Treasury may by order provide for subsections (1)(b) and (3)(b)(i) above to have effect as if the references to £50,000 and five per cent were references to such other sum or percentage as they think appropriate.

(5) In this section “year end balance sheet” has the same meaning as in section 3A of the Friendly and Industrial and Provident Societies Act 1968.

(6) In this Act “interest-bearing share” means a share issued on terms which entitle the holder to interest but not to a dividend.”

(2) In section 31(1), after the definition of “credit union” insert—

““interest-bearing share” has the meaning assigned to it by section 7A(6) above;”.

(3) In Schedule 1, after paragraph 13, insert—

“**13A.** If the issue of interest-bearing shares is permitted, provision for converting such shares into shares which are not interest-bearing to comply with subsection (3) of section 7A above.”