
EXPLANATORY NOTE

(This note is not part of the Order)

This Order removes a number of burdens imposed by the Industrial and Provident Societies Act 1965 (c.12), the Friendly and Industrial and Provident Societies Act 1968 (c.53) and the Credit Unions Act 1979 (c.34).

Part 1 of the Order deals with commencement, extent and interpretation.

Part 2 of the Order concerns amendments applicable to industrial and provident societies. Article 3 removes the limit on the value of non-withdrawable shares which can be held by a member. Articles 4 and 5 amend the provisions relating to annual returns and calculation of the year-end.

Part 3 of the Order concerns amendments applicable to both industrial and provident societies and credit unions (“societies”). Article 7 allows societies to charge up to £5 for provision of a copy of the society’s rules to non members. Article 8 allows persons under the age of 18 to become members of a society and persons between the age of 16 and 18 to become Board members. Article 9 allows dormant societies to be dissolved by way of special resolution, subject to credit unions receiving confirmation from the Authority. Article 10 allows societies to publish unaudited interim accounts or balance sheets provided that they are published with the latest audited year end accounts and balance sheets and are clearly marked as unaudited.

Part 4 of the Order concerns amendments applicable to credit unions only. Articles 12 and 13 reform the membership qualifications for credit unions and provide for a limit on the potential number of members of a credit union with a common bond involving a connection with a locality of two million. The Treasury may by order subject to the negative resolution procedure increase that limit or extend the common bonds to which the limit applies. Article 15 repeals the prohibition on credit unions admitting bodies corporate to membership but imposes limits on the number of corporate members and shares and the total amount of loans which can be made to corporate members (including individuals acting in their capacity as partners in a partnership or an officer or member of the governing body of an unincorporated association). The Treasury may by order subject to the affirmative resolution procedure increase these limits. Article 16 repeals the limit on non-qualifying members.

Article 17 provides for the issue of deferred shares by credit unions. Article 18 repeals the requirement for a withdrawal of shares which reduces a member’s paid up shareholding to less than his total liability to be permitted only at the discretion of the Committee and imposes a requirement on a credit union to include as a term of any loan provision as to whether, for the duration of the loan, the borrower may withdraw shares which would reduce his shareholding to less than his liability. Article 19 provides for a credit union to issue interest-bearing shares provided it meets certain conditions. Article 20 allows credit unions to charge such fee as they think appropriate for ancillary services (whereas previously it was limited to covering costs). Article 21 provides that the limit of 8% on dividends applies on the dissolution of a credit union and at other times unless the rules of the credit union provide otherwise.

Part 5 makes a consequential amendment to the Financial Services and Markets Act (Regulated Activities) Order 2001 (S.I. 2001/544) and transitional provision in respect of membership age for industrial and provident societies, the membership qualifications for credit unions, and charges by credit unions for ancillary services. Article 25 gives the FSA a power to vary on its own initiative the permission given to a credit union under Part 4 of the Financial Services and Markets Act 2000 (c.8) to enable them to admit bodies corporate to membership.

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

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available at (<http://www.hm-treasury.gov.uk/>).