

SCHEDULES

SCHEDULE 1

Section 3.

TRANSFER PROVISIONS: SUPPLEMENTARY

PART I

PRELIMINARY

- 1 (1) This Schedule has effect in relation to the transfer by section 3 above of any property, rights, liabilities or obligations of a body comprised in the existing TSB group to a body comprised in the new TSB group and, subject to sub-paragraph (2) below, "transferor" and "transferee" shall be construed accordingly.
- (2) In the application of this Schedule to a transfer of any property, rights, liabilities or obligations of an existing bank, "transferor" means the custodian trustees of the bank, the general trustees of the bank or the bank as an institution, as the case requires and, as regards property, rights, liabilities and obligations derived from an amalgamation or succession of amalgamations of trustee savings banks, includes (as the case requires) the custodian trustees of any bank, the general trustees of any bank or any bank (as an institution), to which the existing bank has succeeded.
- (3) In sub-paragraph (2) above, "trustee savings bank" means a bank certified under the Trustee Savings Banks Act 1981, the Trustee Savings Banks Act 1969, the Trustee Savings Banks Act 1954 or the Trustee Savings Banks Act 1863.

PART II

GENERAL PROVISIONS

Construction of agreements and documents

- 2 (1) Where there subsists immediately before the vesting day an agreement to which the transferor is a party, the agreement shall have effect on and after the vesting day—
 - (a) as if the transferee had been the party to the agreement; and
 - (b) as respects anything falling to be done on or after the vesting day, with the modifications set out in sub-paragraph (2) below.
- (2) Those modifications are the substitution—
 - (a) for any reference (whether express or implied and, if express, however worded) to the transferor, of a reference to the transferee, and
 - (b) for any reference in general terms (however worded) to persons employed by or agents of the transferor, of a reference to persons employed by or agents of the transferee.

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- 3 (1) Any instrument or other document (not being an agreement to which paragraph 2 above applies or an enactment) in being immediately before the vesting day which refers, whether specifically or generally, to the transferor shall have effect on and after the vesting day, as respects anything falling to be done on or after that day, with the modifications prescribed by paragraph 2(2) above.
- (2) Sub-paragraph (1) above applies to testamentary instruments made before the vesting day whether the testator dies before or after that day.
- (3) As regards negotiable instruments and orders for payment of money, sub-paragraph (1) above applies to an instrument or order drawn, given, accepted, or endorsed on or after the vesting day as it applies to one drawn, given, accepted or endorsed before that day.

Remedies

- 4 Without prejudice to the generality of the provisions of paragraphs 2 and 3 above, the transferee and any other person shall, as from the vesting day, have the same rights, powers and remedies (and in particular the same rights and powers as to the taking or resisting of legal proceedings or the making or resisting of applications to any authority) for ascertaining, perfecting or enforcing any right, liability or obligation transferred to the transferee by section 3 above as he would have had if that right, liability or obligation had at all times been a right, liability or obligation of the transferee.
- 5 Without prejudice to the generality of the provisions of paragraphs 2 and 3 above, any legal proceedings or applications to any authority pending immediately before the vesting day by or against the transferor in so far as they relate to any property, right, liability or obligation transferred to the transferee by section 3 above or to any agreement relating to any such property, right, liability or obligation shall be continued by or against the transferee to the exclusion of the transferor.

PART III

SPECIFIC ASPECTS OF THE REORGANISATION

Accounting provisions

- 6 (1) In any case where—
- (a) a transfer is effected by section 3(1)(a) or (3) above, and
 - (b) the vesting day falls less than twelve months after the end of a financial year of the transferor,
- each of the statutory accounts prepared by the directors of the transferee in respect of a period which includes or consists of the whole or any part of the transitional period shall deal with the affairs of the transferor during so much of the transitional period as falls within that period as well as, and as one with, the affairs of the transferee.
- (2) Any statutory accounts (including, in particular, group accounts) falling to be prepared by the directors of the new holding company by reference to accounts (or matters reflected in accounts) prepared in respect of a period which includes or consists of the whole or any part of the transitional period by the directors of a successor to an existing bank shall be prepared by reference to the accounts (or the

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matters reflected in the accounts) as prepared in accordance with sub-paragraph (1) above for that period.

- (3) If, in a case where sub-paragraph (1) above applies, the day with which the transitional period begins falls before the date of incorporation of the transferee, section 224(4) of the Companies Act 1985 (which defines a company's first accounting reference period) or, in Northern Ireland, Article 4(4)(b) of the Companies (Northern Ireland) Order 1978 (which makes similar provision) shall have effect in relation to the transferee as if for the reference to the date of incorporation of the company there were substituted a reference to the day with which the transitional period begins ; and references in the Companies Act 1985 and the corresponding Northern Ireland legislation to the first accounting reference period shall be construed accordingly.
- (4) In any case where sub-paragraph (1) above applies, the transferor shall be under no obligation, with respect to the transitional period, to prepare or submit its statutory accounts.
- (5) In any case where a transfer is effected by section 3(1)(a) or (3) above—
- (a) the transferor shall furnish the transferee with all such information, and afford all such other assistance, as the transferee may reasonably require to enable its directors to discharge their duties in relation to the statutory accounts ; and
 - (b) the transferee shall furnish the transferor with all such information, and afford all such other assistance, as the transferor may reasonably require to enable the transferor to discharge its duties in relation to its statutory accounts for its final financial year.
- (6) In this paragraph—
- " corresponding Northern Ireland legislation " means the Companies Acts (Northern Ireland) 1960 to 1982 ;
 - "final financial year", in relation to a transferor, means the financial year referred to in sub-paragraph (1)(b) above ;
 - " financial year ", in relation to a transferor.—
 - (a) except in a case falling within paragraph (b) below, has the meaning given by section 54(1) of the Trustee Savings Banks Act 1981, and
 - (b) where the transferor is the Central Board, has the meaning given by paragraph 15(5) of Schedule 2 to that Act;
 - " statutory accounts " means—
 - (a) in relation to a transferee, any accounts or statement of accounts required to be prepared by any provision of the Companies Act 1985 or the corresponding Northern Ireland legislation ; and
 - (b) in relation to a transferor, any accounts or statements of account required to be prepared by section 23 of or paragraph 15 of Schedule 2 to the Trustee Savings Banks Act 1981 ;
 - "transitional period" means the period beginning immediately after the end of the transferor's final financial year and ending with the dissolution of the transferor.

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Profits available for distribution

- 7 (1) Where, in the case of a transfer effected by section 3(1)(a) or (3) above, immediately before the vesting day the transferor had any qualifying reserves, the corresponding reserves of the transferee immediately after the transfer shall be treated for the purposes of the Companies Act 1985 and the corresponding Northern Ireland legislation as accumulated, realised profits of the transferee.
- (2) Where, in the case of a transfer effected by section 3(1)(a) or (3) above, immediately before the vesting day some part of the transferor's reserves represents the amount by which unrealised surpluses attributable to an increase in the value of land exceed unrealised deficits attributable to a decrease in the value of land, then, for the purposes of the Companies Act 1985 and the corresponding Northern Ireland legislation—
- (a) so much of that increase or decrease in value as is realised on or after the vesting day shall be treated as realised profits or, as the case may be, realised losses of the transferee ; and
 - (b) so much as remains unrealised at any time after the vesting day shall be treated as unrealised profits or, as the case may be, unrealised losses of the transferee at that time.
- (3) So much of a transferee's profits available for distribution by virtue of sub-paragraph (1) or (2) above as is distributed to the new holding company shall be treated, for the purposes of the Companies Act 1985 and the corresponding Northern Ireland legislation, as realised profits of that company.
- (4) For the purposes of this paragraph all the reserves of a transferor are " qualifying " reserves except—
- (a) so much of those reserves as represents the amount by which unrealised surpluses attributable to an increase in the value of land exceed unrealised deficits attributable to a decrease in the value of land ;
 - (b) those reserves of the Central Board known as the Mutual Assistance Fund and the Closed Banks Fund ; and
 - (c) those reserves of the Central Board derived from the transfer to the Board of the assets and liabilities of the Trustee Savings Banks Association and the Trustee Savings Banks Employers' Council.
- (5) In this paragraph—
- (a) any expression used in the Companies Act 1985 or the corresponding Northern Ireland legislation has the same meaning as in that Act or that legislation ; and
 - (b) " corresponding Northern Ireland legislation" means the Companies Acts (Northern Ireland) 1960 to 1982.

Reputation and standing

- 8 In the case of a transfer effected by section 3(3) above, the transferee shall be treated for the purposes of sub-paragraph (1) of paragraph 1 of Schedule 2 to the Banking Act 1979 (requirement of high reputation and standing in the financial community as one of the criteria for recognition as a bank)—
- (a) as enjoying at the vesting day (and as continuing to enjoy, until it has carried on a deposit-taking business long enough to have earned a reputation and

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standing of its own) the reputation and standing enjoyed by the transferor immediately before the vesting day ; and

(b) as having enjoyed, during any earlier period, the reputation and standing enjoyed by the transferor during that period ;

and accordingly sub-paragraphs (2) to (4) of that paragraph shall not apply in relation to the transferee's application for recognition.

Contributions to the Deposit Protection Fund

- 9 (1) This paragraph applies where the transferee is the successor to an existing bank.
- (2) For the purposes of Part II of the Banking Act 1979 (the deposit protection scheme) the transferee shall be treated as having such a deposit base as it would have if—
- (a) sterling deposits with United Kingdom offices of the transferor at any time had at that time been sterling deposits with United Kingdom offices of the transferee, and
- (b) sterling certificates of deposit issued by the transferor had been issued by the transferee.
- (3) A transferee which became or becomes a contributory institution at any time before the vesting day shall be liable to make, in accordance with that Part of that Act, a contribution of an amount equal to the initial contribution which it would be liable to make if—
- (a) it had become a contributory institution on that day;
- (b) its deposit base were calculated by reference only to those sterling deposits of the transferor referred to in sub-paragraph (2) above; and
- (c) the amount specified in section 27(2) of that Act (limit on amount of initial or further contribution, currently standing at £300,000) were reduced by the amount of any initial contribution which the transferee has in fact made ;
- and, for the purposes of that Part, references to initial contributions made by a contributory institution shall be taken to include references to contributions made by the institution by virtue of this subparagraph.
- (4) Expressions used in this paragraph and in that Part of that Act have the same meaning in this paragraph as they have in that Part

Trustee investment in new holding company

- 10 For the purposes of paragraph 3 of Part IV of Schedule 1 to the Trustee Investments Act 1961 (securities not wider-range investments, and debentures not narrower-range investments, unless the company has paid dividends in each of the five calendar years preceding the year in which the investment is made), the new holding company shall be taken to have paid a dividend as mentioned in paragraph (b) of that paragraph—
- (a) in each of the five years immediately preceding the year in which the vesting day falls ; and
- (b) in that year, if the company does not in fact pay such a dividend.

Status as authorised institutions for certain purposes, etc.

- 11 (1) This paragraph applies where the transferee is the successor to an existing bank.

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- (2) Subject to sub-paragraph (4) below, the transferee shall be included among the institutions which—
- (a) are " banks " for the purposes of section 59 of the Building Societies Act 1962 or section 59 of the Building Societies Act (Northern Ireland) 1967 (authorised banks for investment of surplus funds);
 - (b) are " banks " for the purposes of the Solicitors Act 1974 or section 35 of the Solicitors (Scotland) Act 1980 (accounts at banks);
 - (c) are "authorised banks" for the purposes of the Credit Unions Act 1979 or section 87 of the Industrial and Provident Societies Act (Northern Ireland) 1969 (borrowing and investment);
 - (d) are recognised lending institutions or recognised savings institutions for the purposes of the Home Purchase Assistance and Housing Corporation Guarantee Act 1978 or Part IX of the Housing (Northern Ireland) Order 1981 (advances by Secretary of State and the Department of the Environment respectively);
- and, for the purposes of the said sections 59, shall be treated as having been designated as an authorised bank by order under each of those sections (without prejudice, however, to the power of variation conferred thereby) and similarly for the purposes of the said section 87.
- (3) Sub-paragraph (2) above applies whether or not the transferee qualifies for inclusion among any of those bodies as a recognised bank for the purposes of the Banking Act 1979.
- (4) The transferee shall not be included, or included at any time, among the institutions specified in sub-paragraph (2) above unless the following conditions are satisfied or satisfied at that time, that is to say—
- (a) the existing bank must have been so included immediately before the vesting day ; and
 - (b) in the case of the institutions specified in heads (b), (c) and (d) of that sub-paragraph, the transferee must be a licensed institution for the purposes of the Banking Act 1979.
- (5) Any authority of an existing bank subsisting under section 51(2) of the Government Annuities Act 1929 with regard to contracts under Part II of that Act (trustee savings banks as agents as respects Government annuities) immediately before the vesting day shall become, as from that day, an authority of the same scope (and on the same terms as to allowances) to the bank's successor as regards any money becoming payable upon or due under such contracts on or after that day.

The Fund for the Banks for Savings

- 12 Until the day appointed for the closure of the Fund for the Banks for Savings any provision of Schedule 5 to the Trustee Savings Banks Act 1981 shall, as from the vesting day so long as it remains in force, apply as if any reference to a trustee savings bank (within the meaning of that Act) were or included (as the case requires) a reference to any successor of a trustee savings bank with sums standing to its credit by virtue of section 3(3) above on that day ; and any function conferred or imposed on any person by any provision of that Schedule may be exercised or shall be performed by or in relation to the bank's successor and the sums standing to its credit on and after that day.

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The National Savings Stock Register

- 13 On such day as the Treasury by statutory instrument appoints the parts of the National Savings Stock Register kept by trustees of the existing banks shall be closed and all the stock registered in those parts shall be transferred to that part of the Register kept by the Director of Savings.