

SCHEDULES

SCHEDULE 7

Section 43.

OTHER AMENDMENTS OF 1986 ACT

The Building Societies Commission

- 1 In subsection (4) of section 1 of the 1986 Act (the Building Societies Commission), for paragraph (c) there shall be substituted the following paragraph—
- “(c) to secure that the principal purpose of building societies remains that of making loans which are secured on residential property and are funded substantially by their members;”.

Annual and other reports

- 2 In section 4 of the 1986 Act (annual and other reports), subsection (2) shall cease to have effect.

Authorisation to raise funds and borrow money

- 3 (1) In subsection (3) of section 9 of the 1986 Act (authorisation to raise funds and borrow money), paragraph (d) and the word “or” immediately preceding that paragraph shall cease to have effect.
- (2) In subsection (7), for the words “subsidiary or associated body” there shall be substituted the words “connected undertaking”.
- (3) In subsection (13) of that section, for the definition of “qualifying deferred shares” there shall be substituted the following definition—
- ““qualifying deferred shares” means deferred shares which constitute own funds of the society.”.
- (4) After that subsection there shall be inserted the following subsection—
- “(13A) In determining for the purposes of subsection (4)(b) above whether a person is a fit and proper person to hold any particular office, regard shall be had, in particular—
- (a) to his probity;
 - (b) to his competence and soundness of judgement for fulfilling the responsibilities of that office;
 - (c) to the diligence with which he is fulfilling or likely to fulfil those responsibilities; and
 - (d) to whether the interests of shareholders or depositors of the society are, or are likely to be, in any way threatened by his holding that office.”

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The Building Societies Investor Protection Board

- 4 In subsection (4) of section 24 of the 1986 Act (the Building Societies Investor Protection Board), after the definition of the “1995 Regulations” there shall be inserted the following definition—

““administrator”, in relation to a participating institution, means an administrator of the institution under Part II of the Insolvency Act 1986 or Part III of the Insolvency (Northern Ireland) Order 1989;”.

The Investor Protection Fund

- 5 (1) In subsection (5) of section 25 of the 1986 Act (the Investor Protection Fund), in the definition of “the expenses attributable to the insolvency” for the words “paragraphs (a) to (d)” there shall be substituted the words “paragraphs (a) to (c)”.
- (2) In subsection (7) of that section, after the word “authorises” there shall be inserted the words “the Bank of England or”.

Meaning of “insolvency” etc.

- 6 In subsection (2) of section 25A of the 1986 Act (meaning of “insolvency” etc.), for the word “society” there shall be substituted the word “institution”.

Payments to investors

- 7 (1) In subsection (3) of section 27 of the 1986 Act (payments to investors), for the words “such other authorised institution or building society” there shall be substituted the words “such institution (whether the Bank of England, an authorised institution or a building society)”.
- (2) In subsection (4A) of that section, after the word “liquidator”, in each place where it occurs, there shall be inserted the words “or administrator”.
- (3) In subsection (9) of that section, after the word “liquidator”, in both places where it occurs, there shall be inserted the words “or administrator”.
- (4) In subsection (9A)(a) of that section, after the word “liquidator”, in both places where it occurs, there shall be inserted the words “or administrator”.

Membership of insolvency committees etc

- 8 After section 27 of the 1986 Act there shall be inserted the following section—

“27A Membership of insolvency committees etc

- (1) The following provisions of this section have effect notwithstanding that the Board may not yet have made or become liable to make a payment under section 27(1) in relation to a participating institution which has become insolvent.
- (2) The Board shall at all times be entitled to receive any notice or other document required to be sent to a creditor of the institution whose debt has been proved.
- (3) A duly authorised representative of the Board shall be entitled—

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- (a) to attend any meeting of creditors of the institution and to make representations as to any matter for decision at that meeting;
 - (b) to be a member of any committee established under section 301 of the Insolvency Act 1986;
 - (c) to be a commissioner under section 30 of the Bankruptcy (Scotland) Act 1985;
 - (d) to be a member of a committee established for the purposes of Part IV or V of the Insolvency Act 1986 under section 101 of that Act or under section 141 or 142 of that Act;
 - (e) to be a member of any committee established under Article 274 of the Insolvency (Northern Ireland) Order 1989; and
 - (f) to be a member of a committee established for the purposes of Part V or VI of the Insolvency (Northern Ireland) Order 1989 under Article 87 or under Article 120 of that Order.
- (4) Where a representative of the Board exercises his right to be a member of such a committee as is mentioned in paragraph (b), (d), (e) or (f) of subsection (3) above, or to be a commissioner by virtue of paragraph (c) of that subsection—
- (a) he may not be removed except with the consent of the Board; and
 - (b) his appointment under that subsection shall be disregarded for the purposes of any provision made by or under any enactment which specifies a minimum or maximum number of members of such a committee or commission.”

Liability of insolvent society in respect of payments made by Board

9 For subsection (6) of section 28 of the 1986 Act (liability of insolvent society in respect of payments made by Board) there shall be substituted the following subsection—

“(6) Where by virtue of paragraph 3 of Schedule 6 to this Act the insolvency payment is or is to be made by the Board to a person other than the person to whom the institution is liable in respect of the protected investment, any reference in the preceding provisions of this section to the liability to the investor shall be construed as a reference to the liability of the institution to the person to whom that payment would fall to be made by the Board apart from that paragraph.”

Power to obtain information

10 In subsection (3) of section 29A of the 1986 Act (power to obtain information), after the word “liquidator” there shall be inserted the words “or administrator”.

Voluntary schemes

11 For subsections (1) to (3) of section 31 of the 1986 Act (voluntary schemes) there shall be substituted the following subsections—

“(1) In this section “voluntary arrangements” means arrangements entered into by any two or more building societies for the purpose of making funds available to meet losses incurred by persons who have deposited money with,

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or who have shares in, an insolvent building society which is a party to the arrangements.

- (2) A building society shall not enter into any voluntary arrangements until the arrangements have been approved by the Commission and authorised by a resolution passed, at a general meeting of the society or on a postal ballot, as a special resolution.
- (3) The Commission shall not approve any voluntary arrangements unless it is satisfied that the arrangements comply with the Deposit Guarantee Schemes Directive (94/19/EC)."

Power to direct application to renew authorisation

- 12 (1) Section 41 of the 1986 Act (power to direct application to renew authorisation) shall become permanent; and accordingly subsections (14) to (16) of that section shall cease to have effect.
- (2) In subsection (6) of that section, for paragraph (b) there shall be substituted the following paragraph—
 - “(b) the society has adequate reserves and other capital resources;”.
- (3) In subsection (7) of that section, for paragraphs (a) and (b) there shall be substituted the following paragraphs—
 - “(a) if those matters include the matter specified in paragraph (a) of that subsection, refuse to grant authorisation; or
 - (b) in any other case—
 - (i) if it is satisfied that the imposition of conditions would secure the protection of the investments of shareholders and depositors, grant authorisation subject to such conditions to be complied with by the society (whether or not they correspond to any conditions in force as respects the current authorisation) as the Commission thinks fit to impose to secure that purpose; or
 - (ii) if not so satisfied, refuse to grant the authorisation;”.
- (4) For subsection (13) of that section there shall be substituted the following subsection—
 - “(13) Any expression used in this section to which a meaning is given by subsection (13) of section 9 has that meaning in this section; and for the purposes of this section subsection (13A) of that section shall apply as if the reference to subsection (4)(b) of that section were a reference to subsection (6)(c) of this section.”
- (5) For subsection (17) of that section there shall be substituted the following subsection—
 - “(17) In this section “adequate” means adequate having regard to the range and scale of the society’s business; and in this subsection—
 - (a) “business” includes business the society proposes to carry on; and
 - (b) the reference to the society’s business includes, where it has connected undertakings, a reference to the business of those undertakings.”

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Imposition of conditions on current authorisation

- 13 (1) In subsection (5)(b) of section 42 of the 1986 Act (imposition of conditions on current authorisation), for the words “subsidiary or other associated body” there shall be substituted the words “connected undertaking”.
- (2) At the beginning of subsection (7) of that section there shall be inserted the words “Subject to section 42A”.

Revocation of authorisation

- 14 (1) In subsection (1) of section 43 of the 1986 Act (revocation of authorisation), for the word “or” immediately following paragraph (c) there shall be substituted the following paragraphs—
- “(cc) the Commission is satisfied that a direction under section 42B(1) has not been complied with by the society;
 - (cd) it appears to the Commission that—
 - (i) a composition or arrangement with creditors has been made in respect of the society;
 - (ii) a receiver or manager of the society’s undertaking has been appointed;
 - (iii) possession has been taken, by or on behalf of the holders of any debenture secured by a charge, of any property of the society; or
 - (iv) an administration order has been made in relation to the society under section 8 of the Insolvency Act 1986; or”.
- (2) For subsection (7) of that section there shall be substituted the following subsections—
- “(7) If, when a society’s authorisation is revoked, a member is under an obligation to make payments to the society—
- (a) which represent instalments of the amount due in respect of a share in the society; and
 - (b) which, by virtue of section 9(1), the society is prohibited from accepting,
- the obligation shall (subject to anything in the rules of the society or any agreement between the society and the member) be suspended in respect of each instalment for the period during which no authorisation is in force.
- (7A) If, in a case falling within subsection (7) above, reauthorisation is granted—
- (a) the first suspended instalment shall be payable on the first payment day after reauthorisation is granted; and
 - (b) a subsequent instalment shall be payable on each payment day after that until the amount due in respect of the share is paid in full.”

Reauthorisation

- 15 (1) In subsection (4) of section 44 of the 1986 Act (reauthorisation), for paragraph (b) there shall be substituted the following paragraph—
- “(b) the society has adequate reserves and other capital resources;”.

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- (2) In subsection (5) of that section, in paragraph (a), for the words “are or include” there shall be substituted the words “include either of”.
- (3) For subsection (9A) of that section there shall be substituted the following subsection—
- “(9A) Any expression used in this section to which a meaning is given by subsection (13) of section 9 has that meaning in this section; and for the purposes of this section subsection (13A) of that section shall apply as if the reference to subsection (4)(b) of that section were a reference to subsection (4)(c) of this section.”
- (4) For subsection (10) of that section there shall be substituted the following subsection—
- “(10) In this section “adequate” means adequate having regard to the range and scale of the society’s business; and in this subsection—
- (a) “business” includes business the society proposes to carry on; and
- (b) the reference to the society’s business includes, where it has connected undertakings, a reference to the business of those undertakings.”

Powers to avoid apparent association with other bodies

- 16 Section 51 of the 1986 Act (powers to avoid apparent association with other bodies) shall cease to have effect.

Powers to obtain information and documents etc.

- 17 (1) In subsection (1)(a) of section 52 of the 1986 Act (powers to obtain information and documents etc.), after the words “section 9,” there shall be inserted the words “Part IV,”.
- (2) In subsection (2) of that section—
- (a) for the words “subsidiaries or other associated bodies” there shall be substituted the words “connected undertakings”; and
- (b) for the words “subsidiary or associated body” there shall be substituted the words “connected undertaking”.
- (3) Subsection (3) of that section shall cease to have effect.
- (4) In subsection (4) of that section—
- (a) for the words “subsidiary of or other body associated with” there shall be substituted the words “connected undertaking of”;
- (b) for the words “that body” there shall be substituted the words “that undertaking”; and
- (c) for the words “subsidiary or associated body” there shall be substituted the words “connected undertaking”.
- (5) In subsection (5) of that section—
- (a) for the words “subsidiary or associated body” there shall be substituted the words “or connected undertaking”;

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- (b) for the words “the body”, in each place where they occur, there shall be substituted the words “the society or undertaking”; and
- (c) in paragraph (d), for the words “accountant approved by the Commission” there shall be substituted the words “approved accountant or other person with relevant professional skill”.

(6) For subsection (6) of that section there shall be substituted the following subsections—

“(5A) Subject to subsection (4) above, the Commission may authorise a member, servant or agent of the Commission, on producing evidence of his authority, to require a building society or connected undertaking—

- (a) to furnish to him forthwith such specified information as the Commission considers it needs for the purposes of its supervisory functions;
- (b) to produce to him forthwith such documents or other material as the Commission considers it needs for those purposes;
- (c) to provide to him forthwith such explanations of specified matters as the Commission considers it needs for those purposes.

(6) Where by virtue of subsection (5)(a) to (c) above the Commission has power, or by virtue of subsection (5A) above an authorised person has power, to require the furnishing of any information, the production of any document or material or the provision of any explanation, by a building society or connected undertaking, the Commission or authorised person shall have the like power as regards any person who—

- (a) is or has been an officer or employee or agent of the society or undertaking; or
- (b) in the case of documents or material, appears to the Commission or authorised person to have the document or material in his possession or under his control.”

(7) For subsection (9) of that section there shall be substituted the following subsection—

“(9) Where, by virtue of subsection (5), (5A) or (6) above, the Commission or an authorised person requires the production by a building society or connected undertaking or any other person of documents or material, the Commission or authorised person may—

- (a) if the documents or material are produced, take copies of or extracts from them and require the person who produced them, or any other person who is a present or past director or officer of, or is or was at any time employed by, the building society or connected undertaking concerned, to provide an explanation of the documents or material; and
- (b) if the documents or material are not produced, require the person who was required to produce the documents or material to state, to the best of his knowledge and belief, where the documents or material are.”

(8) For subsection (13) of that section there shall be substituted the following subsection—

“(13) In this section—

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“agent”, in relation to a building society or connected undertaking, includes its bankers, accountants, solicitors and auditors;

“approved”, in relation to an accountant or other person with relevant professional skill, means approved by the Commission;

“specified” means specified in a notice or requirement under this section.”

Right of entry to obtain information and documents

18 After section 52 of the 1986 Act there shall be inserted the following section—

“52A Right of entry to obtain information and documents

- (1) Any member, servant or agent of the Commission may, on producing if required evidence of his authority, enter any premises occupied by a person on whom a notice has been served under section 52 for the purpose of—
 - (a) obtaining there the information, documents or other material or explanations required by that notice; and
 - (b) facilitating the exercise by the Commission of the powers conferred by subsection (5) of that section.
- (2) Subject to subsection (3) below, any member, servant or agent of the Commission may, on producing if required evidence of his authority, enter any premises occupied by any person on whom a notice could be served under section 52 for the purpose of obtaining there such information, documents or other material or explanations as—
 - (a) are specified in the authority; and
 - (b) are information, documents or other material or explanations that could have been required by such a notice.
- (3) The Commission shall not authorise any person to act under subsection (2) above unless it has reasonable cause to believe that if a notice under section 52 were served it would not be complied with or that any documents or other material to which it would relate would be removed, tampered with or destroyed.
- (4) Any person who intentionally obstructs a person exercising rights conferred by this section shall be liable on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding level 5 on the standard scale or both.”

Confidentiality of information obtained by Commission

- 19 (1) In subsection (2) of section 53 of the 1986 Act (confidentiality of information obtained by Commission)—
- (a) for paragraph (b) there shall be substituted the following paragraph—
 - “(b) with a view to the institution of, or otherwise for the purposes of—
 - (i) any civil proceedings by or at the relation of or against the Commission or by the Investor

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Protection Board arising out of the discharge of their respective functions under this Act; or

(ii) any civil proceedings in which the Commission will have or has a right to be heard;” and

(b) after the word “enable”, in each place where it occurs, there shall be inserted the words “or assist”.

(2) In subsection (3) of that section, after the word “enable” there shall be inserted the words “or assist”.

(3) In subsection (11) of that section, for the words “subsidiary or associated body” there shall be substituted the words “connected undertaking”.

(4) In subsection (14) of that section, for the word “subsidiaries” there shall be substituted the words “subsidiary undertakings”.

Information disclosed to Commission from other sources

20 In subsection (3A) of section 54 of the 1986 Act (information disclosed to Commission from other sources), after the word “enabling”, in both places where it occurs, there shall be inserted the words “or assisting”.

Investigations on behalf of Commission

21 In subsection (2) of section 55 of the 1986 Act (investigations on behalf of Commission), for paragraphs (a) and (b) there shall be substituted the words “a connected undertaking of the building society under investigation”.

Inspections and special meetings: general

22 (1) In subsection (1) of section 56 of the 1986 Act (inspections and special meetings: general), for the words “subsidiary of or body associated with” there shall be substituted the words “connected undertaking of”.

(2) In subsections (3) and (4) of that section—

(a) for the words “subsidiary of or body associated with” there shall be substituted the words “connected undertaking of”; and

(b) for the words “subsidiary or associated body” there shall be substituted the words “connected undertaking”.

(3) In subsections (6) and (8) of that section, for the words “subsidiary or associated body” there shall be substituted the words “connected undertaking”.

Inspections: supplementary provisions

23 In subsection (1) of section 57 of the 1986 Act (inspections: supplementary provisions), for the words “subsidiary of or body associated with”, in both places where they occur, there shall be substituted the words “connected undertaking of”.

Restrictions on loans etc. to directors

24 (1) In subsection (1) of section 65 of the 1986 Act (restrictions on loans etc. to directors)

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- (a) in paragraph (a), for the words “an advance or other loan” there shall be substituted the words “a loan”; and
- (b) in paragraph (c), for the words “any services for the time being specified in Part I of Schedule 8 to this Act” there shall be substituted the words “any service of a kind which is provided by building societies for individuals in the ordinary course of business”.

(2) In subsection (10) of that section—

- (a) the word “and” immediately following the definition of “provision of funds” shall cease to have effect; and
- (b) after the definition of “relevant” there shall be inserted the following definition—

““subsidiary” has the meaning given by section 736 of the Companies Act 1985.”

Directors etc. not to accept commissions in connection with loans

- 25 (1) In subsection (1) of section 67 of the 1986 Act (directors etc. not to accept commissions in connection with loans), for the word “advances” there shall be substituted the word “loans”.
- (2) In subsection (5) of that section, for the words “an additional advance”, “an advance” and “the advance” there shall be substituted the words “an additional loan”, “a loan” and “the loan” respectively.
- (3) In subsection (7) of that section, for the words “an advance” there shall be substituted the words “a loan”.

Records of loans etc. for directors

- 26 In subsection (6) of section 68 of the 1986 Act (records of loans etc. for directors), for the words “the prescribed fee” there shall be substituted the words “such fee (not exceeding £5) as the society may from time to time determine”.

Records of income of related businesses

- 27 (1) In subsection (2) of section 69 of the 1986 Act (records of income of related businesses)—
- (a) in paragraph (b), for the word “advances” there shall be substituted the word “loans”; and
 - (b) for paragraph (c) there shall be substituted the following paragraph—

“(c) is not a connected undertaking of the society;”.
- (2) In subsections (7)(b) and (8) of that section, after the words “its directors” there shall be inserted the words “and other officers”.
- (3) In subsection (15) of that section, for the words “the prescribed fee” there shall be substituted the words “such fee (not exceeding £5) as the society may from time to time determine”.

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Interpretation of Part VII

- 28 In subsection (3)(a) of section 70 of the 1986 Act (interpretation of Part VII), after the words “of his” there shall be inserted the words “but does not include any person who has attained the age of 18”.

Accounting records and systems of business control etc.

- 29 (1) In subsection (3)(c) of section 71 of the 1986 Act (accounting records and systems of business control etc.), for the words “any provision of Part II or Part III” there shall be substituted the words “section 6 or 7”.
- (2) In subsection (6) of that section, for the words “statement in writing” there shall be substituted the word “record”.
- (3) In subsection (10) of that section, for the following, namely—
- (a) the words “subsidiary undertakings or other associated bodies linked by resolution”;
 - (b) the words “subsidiary undertakings or other associated bodies”; and
 - (c) the words “subsidiary undertakings and other associated bodies”,
- there shall be substituted the words “connected undertakings”.
- (4) Subsection (10A) of that section shall cease to have effect.

Contents and form of annual accounts

- 30 In subsection (8)(c) of section 73 of the 1986 Act (contents and form of annual accounts), for the words “bodies associated with them” there shall be substituted the words “their associated undertakings”.

Duty of directors to prepare annual business statement

- 31 In subsection (2) of section 74 of the 1986 Act (duty of directors to prepare annual business statement), for the words “subsidiary undertakings or associated bodies”, in both places where they occur, there shall be substituted the words “connected undertakings”.

Directors' report

- 32 (1) In subsection (1) of section 75 (directors' report)—
- (a) in paragraph (b), for the words “subsidiary undertakings or other bodies associated with it” there shall be substituted the words “connected undertakings”; and
 - (b) for paragraph (c) there shall be substituted the following paragraph—
 - “(c) a statement as to the matters mentioned in subsection (1A) below.”
- (2) After that subsection there shall be inserted the following subsection—
- “(1A) The said matters are—
- (a) whether the society has acquired or established, or allowed a subsidiary undertaking to acquire or establish, a business to which subsection (3) and subsection (4) or, as the case may be, subsection (5) of section 92A applied;

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- (b) if the society has acquired or established, or allowed such an undertaking to acquire or establish, such a business, what the business is and whether the society complied with the requirements of subsection (1) of that section; and
 - (c) if the society did not comply with those requirements, why the society nevertheless proceeded, or allowed the undertaking to proceed, with the acquisition or establishment.”
- (3) In subsection (2) of that section—
- (a) for the words “subsidiary undertakings or other associated bodies” there shall be substituted the words “connected undertakings”; and
 - (b) for the words “subsidiary undertakings and associated bodies” there shall be substituted the words “connected undertakings”.
- (4) In subsection (4) of that section, for the words from “the prescribed information” to “regulations” there shall be substituted the words “the review, information and statement required by subsection (1) above and, where applicable, the review required by subsection (2) above”.

Summary financial statement for members and depositors

- 33 (1) In subsection (2) of section 76 of the 1986 Act (summary financial statement for members and depositors)—
- (a) for the words “subsidiary undertakings or other associated bodies” there shall be substituted the words “connected undertakings”; and
 - (b) for the words “subsidiary undertakings and other associated bodies” there shall be substituted the words “connected undertakings”.
- (2) In subsection (9)(a) of that section, for paragraph (a) there shall be substituted the following paragraph—
- “(a) any individual who for the first time subscribes for shares in the society, on his first subscribing for the shares, and”.

Auditor’s report and powers

- 34 (1) In subsection (4) of section 79 of the 1986 Act (auditor’s report and powers), for the words “subsidiary undertaking”, in each place where they occur, there shall be substituted the words “connected undertaking”.
- (2) Subsection (5) of that section shall cease to have effect.
- (3) In subsection (9) of that section, for the words “subsidiary undertaking of or is associated with” there shall be substituted the words “connected undertaking of”.

Auditor’s duties to Commission and related rights

- 35 (1) In subsection (2) of section 82 of the 1986 Act (auditor’s duties to Commission and related rights)—
- (a) after paragraph (a) there shall be inserted the word “and”; and
 - (b) paragraph (c) and the word “and” immediately preceding that paragraph shall cease to have effect.
- (2) In subsection (3) of that section, paragraph (d) shall cease to have effect.

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(3) In subsection (4) of that section, for the words “subsidiary undertakings or other associated bodies linked by resolution”, in both places where they occur, there shall be substituted the words “connected undertakings”.

(4) In subsection (8) of that section, for the words “subsidiary undertakings or other associated bodies” there shall be substituted the words “connected undertakings”.

Investigation of complaints: supplementary provisions

36 (1) Subsection (1) of section 84 of the 1986 Act (investigation of complaints: supplementary provisions) shall cease to have effect.

(2) In subsections (2), (3), (4) and (5) of that section, for the words “associated body” there shall be substituted the words “connected undertaking”.

(3) In subsection (9) of that section, for the words “section 83(5)” there shall be substituted the words “section 83(4)”.

(4) In subsection (10) of that section, for the words “section 83(3) or (5)” there shall be substituted the words “section 83(3) or (4)”.

(5) In subsection (11) of that section, for the words “associated body's” there shall be substituted the words “connected undertaking's”.

Settlement of disputes

37 In subsection (1) of section 85 of the 1986 Act (settlement of disputes), for the words “a depositor with the society” there shall be substituted the words “one or more members of the society or a complainant”.

Dissolution by consent

38 In subsection (8) of section 87 of the 1986 Act (dissolution by consent), for the words “or to a company” there shall be substituted the words “or the transfer of its business to a company”.

Winding up: grounds and petitioners

39 In subsection (4) of section 89 of the 1986 Act (winding up: grounds and petitioners), for paragraph (b) there shall be substituted the following paragraph—
“(b) the reference to its existing for an illegal purpose includes a reference to its existing after it has ceased to comply with the requirement imposed by section 5(1)(a) (purpose or principal purpose).”

Winding up or dissolution: supplementary

40 For section 92 of the 1986 Act there shall be substituted the following section—

“92 Supplementary

Where at any time a building society is being wound up or dissolved by consent, a borrowing member shall not be liable to pay any amount other

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than one which, at that time, is payable under the mortgage or other security by which his indebtedness to the society in respect of the loan is secured.”

Amalgamations

- 41 In subsection (2) of section 93 of the 1986 Act (amalgamations)—
- (a) for paragraph (a) there shall be substituted the following paragraph—
- “(a) agree the purpose or principal purpose of their successor to be that of making loans which are secured on residential property and are funded substantially by its members, and agree upon the extent of its powers, in a memorandum which complies with the requirements of Schedule 2 to this Act;”;
- (b) for paragraph (c) there shall be substituted the following paragraph—
- “(c) each approve the terms of the amalgamation by two resolutions which also approve the memorandum and the rules of their successor and of which—
- (i) one is passed as a shareholding members' resolution, and
- (ii) the other is passed as a borrowing members' resolution,
- in accordance with the applicable provisions of that Schedule;”.

Transfer of engagements

- 42 In subsections (2), (4) and (5) of section 94 of the 1986 Act (transfer of engagements), for the words “special resolution” there shall be substituted the words “shareholding members' resolution”.

Mergers: provisions supplementing sections 93 and 94

- 43 (1) In subsection (3) of section 95 of the 1986 Act (mergers: provisions supplementing sections 93 and 94), for the words “subsections (4) to (9)” there shall be substituted the words “subsections (4) to (6)”.
- (2) Subsections (7) to (9) of that section shall cease to have effect.

Mergers: compensation for loss of office etc.

- 44 (1) In subsection (1) of section 96 (mergers: compensation for loss of office etc.)—
- (a) in paragraph (a), for the words “the resolution” there shall be substituted the words “one of the two resolutions”; and
- (b) in paragraph (b), for the words “the special resolution” there shall be substituted the words “the two resolutions”.
- (2) In subsection (4) of that section, for the words “the special resolution”, in both places where they occur, there shall be substituted the words “each of the two resolutions”.
- (3) In subsection (6) of that section, for the words “a special resolution of the society” there shall be substituted the words “the two resolutions required by section 94(5)(a)”.

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- (4) In subsection (8) of that section, in the definition of “loss of office”, for the words “a subsidiary of that society or in an associated body” there shall be substituted the words “any other body”.

Transfer of business to commercial company

- 45 (1) In subsection (2) of section 97 of the 1986 Act (transfer of business to commercial company), after the words “section 99,” there shall be inserted the words “section 99A,”.

- (2) In subsection (3) of that section, the words from “and for the purposes” to the end shall cease to have effect.

- (3) In subsection (12) of that section, after the definition of “the requisite protective provisions” there shall be inserted the following definition—

“‘the requisite shareholders’ resolution’ has the meaning given by paragraph 30(1) of Schedule 2;”.

- (4) After that subsection there shall be inserted the following subsection—

“(13) References in this section, and the other applicable provisions of this Act, to a company include references to a body corporate which—

- (a) is incorporated in an EEA State other than the United Kingdom; and
(b) has power under its constitution to offer its shares or debentures to the public;

and in this subsection “EEA State” means a Contracting Party to the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 as adjusted by the Protocol signed at Brussels on 17th March 1993.”

Regulated terms: compensation for loss of office etc.

- 46 In subsection (6) of section 99 of the 1986 Act (regulated terms: compensation for loss of office etc.), in the definition of “loss of office”, for the words “a subsidiary of that society or in an associated body” there shall be substituted the words “any other body”.

Distribution and share rights

- 47 In subsection (4) of section 100 of the 1986 Act (distribution and share rights), for the words “requisite transfer resolution” there shall be substituted the words “requisite shareholders’ resolution”.

Power to amend etc. to assimilate to company law

- 48 In subsection (2) of section 104 of the 1986 Act (power to amend etc. to assimilate to company law), at the end of paragraph (d) there shall be inserted the words “or insolvency”.

Limited power to anticipate future statutory instrument powers

- 49 Section 105 of the 1986 Act (limited power to anticipate future statutory instrument powers) shall cease to have effect.

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Power to require building society to change misleading name

- 50 Section 108 of the 1986 Act (power to require building society to change misleading name) shall cease to have effect.

Offences: liability of officers etc.

- 51 In subsection (2) of section 112 of the 1986 Act (offences: liability of officers etc.), after the words “section 9(11),” there shall be inserted the words “section 43A(7),”.

Qualifying asset holding for certain powers

- 52 Section 118 of the 1986 Act (qualifying asset holding for certain powers) shall cease to have effect.

Interpretation

- 53 (1) In subsection (1) of section 119 of the 1986 Act (interpretation)—
- (a) the definitions of “adopt”, “adopted”, “adoptable powers”, “advance secured on land”, “advance fully secured on land”, “advance secured on third party land”, “mobile home loan”, “qualifying asset holding”, “subsidiary” and “total commercial assets” shall cease to have effect;
 - (b) for the definitions of “associated body”, “associated” and “linked by resolution” there shall be substituted the following definition—
 - ““associated undertaking” shall be construed in accordance with paragraph 20 of Schedule 4A to the Companies Act 1985 read—
 - (a) in conjunction with sections 259 and 260 of, and paragraphs 5 to 11 of Schedule 10A to, that Act; and
 - (b) as if the reference to an undertaking included in the consolidation were a reference to an undertaking which would be so included if consolidated accounts were being prepared at the material time;”;
 - (c) for the definitions of “borrowing members' resolution” and “borrowing member” there shall be substituted the following definitions—
 - ““borrowing members' resolution’ has the meaning given by paragraph 29(1) of Schedule 2 to this Act and, subject to paragraph 29(2), “borrowing member” has the meaning given by paragraph 5 of that Schedule;”;
 - (d) after the definition of “the Commission” there shall be inserted the following definition—
 - ““connected undertaking” means a subsidiary undertaking or an associated undertaking;”;
 - (e) for the definition of “the court” there shall be substituted the following definition—
 - ““the court”, in relation to a building society, means the court which has jurisdiction under the applicable winding up legislation to wind up the society;”;
 - (f) after the definition of “the criteria of prudent management” there shall be inserted the following definition—

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- ““currency” includes ecus;”;
- (g) for the definition of “deposit” there shall be substituted the following definition—
- ““deposit” includes—
- (a) a loan; and
- (b) a subordinated deposit, that is to say, a deposit which, on a winding up, would fall to be repaid only after repayment in full had been made to the holders of shares in the society other than deferred shares,
- and cognate expressions shall be construed accordingly;”;
- (h) after the definition of “heritable security” there shall be inserted the following definition—
- ““interest”, in relation to shares, includes dividends;”;
- (i) after the definition of “Investor Protection Board” there shall be inserted the following definitions—
- ““land”, in the expression “loan secured on land”, has the meaning given by section 6A(8);
- “loan secured on land” and “loan fully secured on land” shall be construed in accordance with sections 6A and 6B respectively;”;
- (j) for the definition of “member” there shall be substituted the following definition—
- ““member” shall be construed in accordance with paragraph 5 of Schedule 2 to this Act;”;
- (k) for the definition of “mortgage debt” there shall be substituted the following definition—
- ““mortgage debt”, in relation to a loan secured on land and any time, means the total amount outstanding at that time in respect of—
- (a) the principal of the loan;
- (b) interest on the loan; and
- (c) any other sum which the borrower is obliged to pay the society under the terms of the loan;”;
- (l) after the definition of “officially notified” there shall be inserted the following definition—
- ““ordinary resolution” means a resolution which will be effective without being passed as a special resolution, shareholding members' resolution or borrowing members' resolution;”
- (m) after the definition of “the repealed enactments” there shall be inserted the following definition—
- ““residential property” has the meaning given by section 5(10);”;
- (n) for the definition of “share” there shall be substituted the following definition—
- ““share”, in relation to a building society, shall be construed in accordance with section 8;”;
- and

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- (o) after the definition of “shareholder and depositor” there shall be inserted the following definitions—

““shareholding member” has the meaning given by paragraph 5 of Schedule 2 to this Act;

“shareholding members” resolution’ has the meaning given by paragraph 27A of that Schedule;”.

- (2) In subsection (2) of that section, for the word “advances” there shall be substituted the word “loans”.
- (3) In subsection (3) of that section—
- (a) in paragraph (a), the words “by him” and “to him” shall cease to have effect; and
 - (b) in paragraph (b), for the words “an advance” there shall be substituted the words “a loan”.
- (4) After subsection (3) of that section there shall be inserted the following subsection—
- “(3A) Any reference in this Act (however expressed) to loans being owed to a building society or a subsidiary undertaking of a building society is a reference to their being so owed either at law or in equity.”
- (5) For subsection (4) of that section there shall be substituted the following subsection—
- “(4) Subject to sections 9A(7) and 83A(7), the value in sterling of—
- (a) any transaction effected by or with a building society or connected undertaking in another currency, or
 - (b) any assets or liabilities of a building society or connected undertaking denominated in another currency,
- shall be determined for any purpose of this Act in accordance with directions given by the Commission under this subsection.”

Northern Ireland

- 54 In subsection (1) of section 122 of the 1986 Act (Northern Ireland), the words “section 15,” shall cease to have effect.

The Commission

- 55 In paragraph 11(1) of Schedule 1 to the 1986 Act (performance of functions), for the words “any member or members of the Commission” there shall be substituted the following paragraphs—
- “(a) any member or members of the Commission,
 - (b) any committee or sub-committee of the Commission, or
 - (c) any officer, servant or agent of the Commission,”.

Establishment, incorporation and constitution

- 56 (1) Part I of Schedule 2 to the 1986 Act (establishment, incorporation and constitution) shall be amended as follows.

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- (2) For sub-paragraph (4) of paragraph 1 (requirements for establishment) there shall be substituted the following sub-paragraph—
- “(4) In this Act “memorandum”, in relation to a building society, means the memorandum of the purpose and the extent of the powers of the society including the record of any alteration under paragraph 4 below.”
- (3) For sub-paragraphs (1) to (3) of paragraph 2 (the memorandum) there shall be substituted the following sub-paragraphs—
- “(1) The memorandum of a building society shall state the purpose or principal purpose of the society to be that of making loans which are secured on residential property and are funded substantially by its members.
- (2) The memorandum of a building society shall specify—
- (a) the name of the society and the address of its principal office;
 - (b) any purposes of the society other than that mentioned in sub-paragraph (1) above; and
 - (c) the powers of the society.”
- (4) Sub-paragraph (5) of that paragraph shall cease to have effect.
- (5) In sub-paragraph (4) of paragraph 3 (the rules)—
- (a) in item 2 of the Table, for the words “stock or funds of the society is or are” there shall be substituted the words “funds of the society are”; and
 - (b) in item 5 of the Table, for the word “advances” there shall be substituted the word “loans” and for the word “advance” there shall be substituted the word “loan”.
- (6) For sub-paragraph (1) of paragraph 4 (requirements for alteration of purpose, powers and rules) there shall be substituted the following sub-paragraph—
- “(1) A building society may by special resolution alter its purposes, alter its powers or alter its rules.”
- (7) In sub-paragraph (4) of that paragraph, the words “subject to paragraph 19 below” shall cease to have effect.
- (8) In sub-paragraph (1) of paragraph 8 (joint borrowers), for the words “an advance” there shall be substituted the words “a loan”.
- (9) In sub-paragraph (1)(b) of paragraph 11 (change of principal office), for the words “then at a general meeting specially called for the purpose in accordance with the rules” there shall be substituted the words “by an ordinary resolution”.
- (10) For sub-paragraph (1) of paragraph 13 (register of members) there shall be substituted the following sub-paragraph—
- “(1) Every building society shall maintain a register of members showing—
- (a) the name and address of each member; and
 - (b) whether each member is a shareholding member or a borrowing member or both.”

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Meetings, resolutions and postal ballots

- 57 (1) Part III of Schedule 2 to the 1986 Act (meetings, resolutions and postal ballots) shall be amended as follows.
- (2) For sub-paragraph (2) of paragraph 22 (persons entitled to notice of meetings) there shall be substituted the following sub-paragraphs—
- “(2) Notice of the meeting shall, subject to those provisions, be given also to every person—
- (a) who becomes a shareholding or borrowing member of the society after the date of the notice under sub-paragraph (1) above and before the specified date; or
- (b) who, being such a member at the date of that notice, attains the age of 18 after that date and on or before the date of the meeting, and who would (in either case) be eligible to vote at the meeting if he remained such a member until the date of the meeting.
- (2A) In sub-paragraph (2) above “the specified date” means the date specified by the society as the final date for the receipt of instruments appointing proxies to vote at the meeting.”
- (3) For sub-paragraph (1) of paragraph 23 (members' entitlement to vote on resolutions) there shall be substituted the following sub-paragraph—
- “(1) A member of a building society is entitled to vote—
- (a) on an ordinary resolution or a special resolution if he was, at the end of the last financial year before the voting date, and is, on that date, a shareholding or borrowing member of the society;
- (b) on a shareholding members' resolution, if he was, at the end of that year, and is, on that date, a shareholding member of the society; and
- (c) on a borrowing members' resolution if he was, at the end of that year, and is, on that date, a borrowing member of the society,
- but subject, in either case, to paragraphs 5(3), 7(4) and 8(4) above and, in the case of paragraphs (a) and (b), to sub-paragraph (3) below.”
- (4) For sub-paragraphs (3) and (4) of that paragraph there shall be substituted the following sub-paragraphs—
- “(3) If the rules of the society so provide, a shareholding member is not entitled to vote on an ordinary resolution or a special resolution as such a member, or to vote on a shareholding members' resolution—
- (a) if he did not have a qualifying shareholding at the qualifying shareholding date; or
- (b) if he ceased to hold shares at some time between that date and the voting date.
- (4) Where a building society's rules make such provision as is mentioned in sub-paragraph (3)(a) above, a shareholding member shall be taken to have had a qualifying shareholding at the qualifying shareholding date if he had such a holding—
- (a) at the end of the last financial year before the voting date, except where paragraph (b) below applies; or

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- (b) in a case where the voting date falls during that part of a financial year which follows the conclusion of the annual general meeting commenced in that year, at the beginning of the period of 56 days immediately preceding the voting date for members voting in person at a meeting or, as the case may be, on a postal ballot.”
- (5) After sub-paragraph (4) of paragraph 24 (proxies) there shall be inserted the following sub-paragraph—
 - “(4A) Every form for the appointment of a proxy sent by a building society to persons entitled to notice of a meeting of the society must contain provision enabling that person to direct the proxy how to vote at the meeting.”
- (6) In sub-paragraph (5) of that paragraph, after the words “building society,” there shall be inserted the words “or in complying with sub-paragraph (4A) above in respect of a form of appointment of a proxy.”
- (7) In paragraph 26 (special resolutions), after the words “as a special resolution” there shall be inserted the words “, or as a shareholding members' resolution.”
- (8) After paragraph 27 there shall be inserted the following paragraph—
 - “27A A resolution of a building society shall be a shareholding members' resolution when it has been passed by not less than three-quarters of the number of the shareholding members of the society—
 - (a) qualified to vote on a shareholding members' resolution; and
 - (b) voting in person or by proxy on a poll on the resolution at a meeting of the society of which notice specifying the intention to move the resolution as a shareholding members' resolution has been duly given.”
- (9) For sub-paragraph (1) of paragraph 29 (borrowing members' resolutions) there shall be substituted the following sub-paragraph—
 - “(1) A resolution of a building society shall be a borrowing members' resolution when it has been passed by a majority of the borrowing members of the society voting in person or by proxy on a poll on the resolution at a meeting of the society of which notice specifying the intention to move the resolution as a borrowing members' resolution has been duly given.”
- (10) In sub-paragraph (2) of paragraph 30 (transfer resolutions)—
 - (a) for the words “special resolution”, in both places where they occur, there shall be substituted the words “shareholding members' resolution”; and
 - (b) for the words “sub-paragraph (a) or sub-paragraph (b) of paragraph 27(1) above, as the case may be,” there shall be substituted the words “paragraph 27A above”.
- (11) In sub-paragraph (3) of that paragraph—
 - (a) for the words “special resolution”, in each place where they occur, there shall be substituted the words “shareholding members' resolution”;
 - (b) for the words “paragraph 27” there shall be substituted the words “paragraph 27A”; and
 - (c) the words “has been duly given” shall cease to have effect.

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- (12) In sub-paragraph (5) of that paragraph, for the words “special resolution” there shall be substituted the words “shareholding members' resolution”.
- (13) In sub-paragraph (1) of paragraph 31 (members' rights to propose and circulate resolutions)—
- (a) after the words “other than” there shall be inserted the words “a shareholding members' resolution or”; and
 - (b) for the words “100 words” there shall be substituted the words “500 words”.
- (14) In sub-paragraph (1) of paragraph 33 (postal ballots), after the words “resolution of the society”, in the first place where they occur, there shall be inserted the words “(other than a shareholding members' resolution or a borrowing members' resolution)”.
- (15) For sub-paragraph (5) of that paragraph there shall be substituted the following sub-paragraph—
- “(5) Notice of the postal ballot shall, subject to those provisions, be given also to every person—
- (a) who becomes a shareholding or borrowing member of the society after the date of the notice under sub-paragraph (4) above and before the voting day; or
 - (b) who, being such a member at the date of that notice, attains the age of 18 after that date and on or before the voting day,
- and who would (in either case) be eligible to vote in the election or on the resolution if he remained such a member until that day.”
- (16) For sub-paragraph (2) of paragraph 34 (declarations to be made in proxy and ballot forms) there shall be substituted the following sub-paragraph—
- “(2) A person making a declaration in pursuance of sub-paragraph (1) above shall—
- (a) declare that he has attained the age of 18 years or will have attained that age on or before the voting date or, where he is voting by proxy, on or before the date of the meeting;
 - (b) where the vote is to be cast on a shareholding members' resolution, declare—
 - (i) that on the voting date he is or, so far as he can reasonably foresee, will be a shareholder of the society; and
 - (ii) where the person is not entitled to vote unless he had a qualifying shareholding on the qualifying shareholding date, that he had or, so far as he can reasonably foresee, will have such a shareholding on that date;
 - (c) where the vote is to be cast on a borrowing members' resolution, declare that on the voting date he is or, so far as he can reasonably foresee, will be a borrowing member of the society; and
 - (d) where the vote is to be cast on an ordinary or special resolution, declare either as mentioned in paragraph (b) above, or as mentioned in paragraph (c) above, or both.”

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The Building Societies Investor Protection Board

- 58 After paragraph 5 of Schedule 5 to the 1986 Act (the Building Societies Investor Protection Board) there shall be inserted the following paragraph—

“Performance of functions

- 5A The Board may authorise—
- (a) any member or members of the Board,
 - (b) any committee or sub-committee of the Board, or
 - (c) any officer, servant or agent of the Board,
- to perform on behalf of the Board such of the Board’s functions (including the power conferred by this paragraph) as are specified in the authorisation.”

Directors: requisite particulars of restricted transactions

- 59 In paragraph 2(2)(c) of Schedule 9 to the 1986 Act (directors: requisite particulars of restricted transactions), for the words “an advance or other loan” there shall be substituted the words “a loan”.

Requisite particulars of income of related business

- 60 (1) In paragraphs 1 to 8 of Schedule 10 to the 1986 Act (requisite particulars of income of related business), for the words “management services”, in each place where they occur, there shall be substituted the words “administrative services”.
- (2) In paragraphs 1, 2, 5 and 6 of that Schedule—
- (a) for the words “an advance”, in each place where they occur, there shall be substituted the words “a loan”; and
 - (b) the words “under section 6, 10, 17 or 19” shall cease to have effect.
- (3) In paragraphs 4 and 8 of that Schedule, for the word “advances” there shall be substituted the word “loans”.

Auditors: appointment, tenure and qualifications

- 61 In paragraph 5 of Schedule 11 to the 1986 Act (auditors: appointment, tenure and qualifications)—
- (a) in sub-paragraph (2)(c), for the word “subsidiary” there shall be substituted the words “subsidiary undertaking”; and
 - (b) in sub-paragraph (4), for the words “sub-paragraph (1)(f)” there shall be substituted the words “sub-paragraph (1)(b)”.

Schemes for investigation of complaints

- 62 (1) In Part I of Schedule 12 to the 1986 Act (schemes for investigation of complaints), for the words “Parts II and III of this Schedule” there shall be substituted the words “Part III of this Schedule”.
- (2) Part II of that Schedule (matters of complaint) shall cease to have effect.
- (3) In paragraph 2 of Part III of that Schedule (other requirements)—

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- (a) after paragraph (b) there shall be inserted the following paragraph—
 - “(bb) that the action is the subject of an investigation by another adjudicator (by whatever name called) operating under a comparable scheme (whether or not a recognised scheme), or was the subject of such an investigation in which a decision on the merits was made;”;
 - (b) in paragraph (c), for the words “associated body” there shall be substituted the words “connected undertaking”;
 - (c) in the first note, for the words “the registered office of the associated body” there shall be substituted the words “of the connected undertaking”; and
 - (d) in the second note, for the words “associated body's” there shall be substituted the words “connected undertaking's”.
- (4) In paragraphs 3 to 5, 6(1) and 7 of that Part of that Schedule, for the words “associated body”, in each place where they occur, there shall be substituted the words “connected undertaking”.
- (5) In paragraph 6(3) of that Part of that Schedule—
- (a) for the words “an associated body” there shall be substituted the words “a connected undertaking”; and
 - (b) for the words “with which it is associated” there shall be substituted the words “of which it is a connected undertaking”.

Recognition etc. of schemes for investigation of complaints

- 63 (1) Schedule 13 to the 1986 Act (recognition etc. of schemes for investigation of complaints) shall be amended as follows.
- (2) In paragraph 1 (preliminary)—
- (a) in the definition of “qualifies for recognition”, for the words “the matters”, in the second place where those words occur, there shall be substituted the words “the services” and for the words “of the prescribed matters of complaint” there shall be substituted the words “relevant services”;
 - (b) in the definition of “conforms to the relevant requirements”, for the words “prescribed matter of complaint” there shall be substituted the words “relevant service” and for the words “that matter” there shall be substituted the words “that service”; and
 - (c) for the words “prescribed matters of complaint”, in the second place where they occur, there shall be substituted the words “relevant services”.
- (3) In paragraph 4(2) (procedure for recognition: Commission’s initiative), for the words “prescribed matters of complaint” there shall be substituted the words “relevant services”.
- (4) In paragraph 5(2) (procedure for recognition: submission by societies), for the words “of the prescribed matters of complaint”, in both places where they occur, there shall be substituted the words “relevant services”.
- (5) In sub-paragraph (1) of paragraph 6 (procedure on accession to schemes), after the words “building society” there shall be inserted the words “or connected undertaking of a building society”.
- (6) In sub-paragraph (2) of that paragraph—

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- (a) after the word “society”, in both places where it occurs, there shall be inserted the words “or undertaking”; and
 - (b) for the words “the prescribed matters of complaint” there shall be substituted the words “the relevant services”.
- (7) In sub-paragraph (3) of that paragraph, for the words “the prescribed matters of complaint” there shall be substituted the words “the relevant services”.
- (8) After that sub-paragraph there shall be inserted the following sub-paragraph—
- “(3A) The central office, on receiving such a notice from a connected undertaking of a society, shall, if satisfied that the scheme is a recognised scheme to the extent required to enable the society to comply with its duty under section 83(4) in relation to the relevant services specified in the notice record the accession of the undertaking to the scheme in the public file of the society.”
- (9) In sub-paragraph (4) of that paragraph—
- (a) after the words “building society” there shall be inserted the words “or connected undertaking”; and
 - (b) after the word “society”, in the second and third places where it occurs, there shall be inserted the words “or undertaking”.
- (10) In paragraph 7(2) (withdrawal of recognition), for the words “prescribed matters of complaint” there shall be substituted the words “relevant services”.
- (11) In sub-paragraph (1) of paragraph 10 (withdrawal from membership), after the words “building society” there shall be inserted the words “or connected undertaking of a building society”.
- (12) In sub-paragraph (2) of that paragraph—
- (a) after the word “society”, in each place where it occurs, there shall be inserted the words “or undertaking”; and
 - (b) for the words “the prescribed matters of complaint”, in both places where they occur, there shall be substituted the words “the relevant services”.
- (13) After sub-paragraph (3) of that paragraph there shall be inserted the following sub-paragraph—
- “(3A) The central office, on receiving such a notice from a connected undertaking of a society, if satisfied that its withdrawal from the scheme will not result in a failure by the society to comply with the duty imposed on it by section 83(4), shall confirm the withdrawal of the undertaking from the scheme; but, if the central office is not so satisfied, the central office shall withhold its confirmation.”
- (14) In sub-paragraph (4) of that paragraph—
- (a) after the word “society's” there shall be inserted the words “or undertaking's”; and
 - (b) after the word “society” there shall be inserted the words “or undertaking”.
- (15) In sub-paragraph (5) of that paragraph—
- (a) after the word “society”, in the first place where it occurs, there shall be inserted the words “or connected undertaking of a society”; and

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- (b) after the word “society”, in the second place where it occurs, there shall be inserted the words “or undertaking”.

Settlement of disputes

- 64 (1) In paragraph 1(4) of Schedule 14 to the 1986 Act (settlement of disputes), for the words “paragraph 31(4)(a)” there shall be substituted the words “paragraph 20A(10)(a) or 31(4)(a)”.
- (2) In sub-paragraph (1) of paragraph 4 of that Schedule—
- (a) after the words “an election address” there shall be inserted the words “or a revised election address”; and
- (b) for the words “paragraph 31(1)” there shall be substituted the words “paragraph 20A(1)(b) or 31(1)”.
- (3) In sub-paragraph (2) of that paragraph, for the words “paragraph 31(1)” there shall be substituted the words “paragraph 20A(1)(b) or 31(1)”.
- (4) After that paragraph there shall be inserted the following paragraph—

“Calling of special meeting

4A If the rules of the society so provide, any dispute in respect of a refusal by a building society to call a special meeting required to be called under paragraph 20A(1)(a) of Schedule 2 to this Act shall be referred to arbitration.”

- (5) In paragraph 7(1) of that Schedule—
- (a) for the words “prescribed matter of complaint” there shall be substituted the words “relevant service”; and
- (b) for the words “associated body” there shall be substituted the words “connected undertaking”.

Application of companies winding up legislation to building societies

- 65 In paragraph 3(2) of Schedule 15 to the 1986 Act (application of companies winding up legislation to building societies), for paragraph (b) there shall be substituted the following paragraph—
- “(b) every reference to an administrative receiver shall be omitted.”

Mergers: supplementary provisions

- 66 (1) In paragraph 1 of Schedule 16 to the 1986 Act (mergers: supplementary provisions)
-
- (a) in sub-paragraph (4)(e), for the words “class 1 or 2 advances made by the building society” there shall be substituted the words “loans made by the building society which are secured on land”; and
- (b) sub-paragraph (5) shall cease to have effect.
- (2) For sub-paragraph (2) of paragraph 4 of that Schedule there shall be substituted the following sub-paragraphs—

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“(2) In any case where merger resolutions are to be moved at any meeting of a building society, every notice of the meeting shall have included in or with it—

- (a) a merger statement with respect to any merger proposal, other than a proposal of which notice has already been given under this paragraph, received by it more than 42 days before the date of the meeting; and
- (b) a transfer proposal notification with respect to any transfer proposal so received by it.

(3) In this paragraph and paragraph 5 below—

“transfer proposal” has the same meaning as in Part IA of Schedule 17;

“transfer proposal notification” means a transfer proposal notification (within the meaning of that Part) required to be sent to members by paragraph 5B(1) of that Schedule.”

(3) In sub-paragraph (1) of paragraph 5 of that Schedule—

- (a) after the words “merger statement” there shall be inserted the words “or transfer proposal notification”; and
- (b) after the words “the statement” there shall be inserted the words “or notification”.

(4) In sub-paragraph (2) of that paragraph, after the words “merger statement” there shall be inserted the words “or transfer proposal notification”.

Transitional and saving provisions

67 In Schedule 20 to the 1986 Act (transitional and saving provisions), the following shall cease to have effect, namely—

- (a) in paragraph 1, the definitions of “existing society” and “existing rules”; and
- (b) paragraphs 2 to 4, 7 to 15 and 17 and 18.