



# Co-operative and Community Benefit Societies Act 2014

## 2014 CHAPTER 14

### PART 2

#### NAME, RULES, POWERS ETC

##### *Name and charitable status*

#### **10 A society's name**

- (1) A society may not be registered under this Act under a name which in the opinion of the FCA is undesirable.
- (2) The last word in the name of every registered society must be—
  - (a) “limited”, or
  - (b) if the society's rules state that its registered office is to be in Wales, either “limited” or “cyfyngedig”.

This is subject to the following provisions of this section.

- (3) If the FCA is satisfied that a society's objects are wholly charitable or benevolent—
  - (a) it may register the society by a name which does not comply with subsection (2), or
  - (b) it may give the society approval under section 13 for a change of name to one that does not comply with that subsection.
- (4) But if it subsequently appears to the FCA that the society (whether in consequence of a change in its rules or otherwise) is not being conducted wholly for charitable or benevolent objects—
  - (a) the FCA may direct that the word “limited” (or in an appropriate case “cyfyngedig”) be added as the last word in the society's name, and
  - (b) if it does so, it must give the society notice of the direction.

## 11 Registered name to be displayed and used

- (1) A registered society must ensure that its registered name appears in a conspicuous position and in legible characters on the outside of—
  - (a) its registered office, and
  - (b) every other office or place in which its business is carried on.
- (2) A registered society's registered name must appear in legible characters—
  - (a) in all of its notices, advertisements and other official publications,
  - (b) in all of its business correspondence,
  - (c) in all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods, purporting to be signed by or on behalf of the society,
  - (d) in all its other business documentation, and
  - (e) on all its websites.
- (3) An officer of a registered society, or any other person acting on behalf of a registered society, who—
  - (a) issues or authorises the issue of a document within subsection (2)(a), (b) or (d) that does not comply with subsection (2),
  - (b) signs on behalf of the society a document within subsection (2)(c) that does not comply with subsection (2) or authorises the signing of such a document on its behalf, or
  - (c) causes or authorises the appearance on the internet of a website within subsection (2)(e) that does not comply with subsection (2),commits an offence and is liable on summary conviction to a fine not exceeding level 3 on the standard scale.
- (4) A person convicted of an offence under subsection (3) by virtue of subsection (3)(b) is also personally liable to the holder of the document for the amount specified in the document unless that amount is duly paid by the society.
- (5) References to a society's website include a section of any other person's website that relates to the society if—
  - (a) the society placed the section on the other person's website, or
  - (b) the society authorised it to be placed there.

## 12 Charitable status to appear on documents etc

- (1) A charitable registered society whose registered name does not include the word "charity" or "charitable" must state the fact that it is a charity in legible characters—
  - (a) in all of its notices, advertisements and other official publications,
  - (b) in all of its business correspondence,
  - (c) in all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods, purporting to be signed by or on behalf of the society,
  - (d) in all conveyances purporting to be executed by or on behalf of the society,
  - (e) in all its other business documentation, and
  - (f) on all its websites.
- (2) Subsection (1) does not apply to any document wholly in Welsh if the society's registered name includes the word "elusen" or "elusenol".

- (3) The statement required by subsection (1) must be in English, except that it may be in Welsh if—
- (a) the document is otherwise wholly in Welsh, and
  - (b) the statement consists of or includes the word “elusen” or “elusennoI”.
- (4) An officer of a registered society, or any other person acting on behalf of a registered society, who—
- (a) issues or authorises the issue of a document within subsection (1)(a), (b) or (e) that does not comply with this section,
  - (b) signs on behalf of the society a document within subsection (1)(c) that does not comply with this section or authorises the signing of such a document on its behalf,
  - (c) executes on behalf of the society a document within subsection (1)(d) that does not comply with this section or authorises the execution of such a document on its behalf,
  - (d) causes or authorises the appearance on the internet of a website within subsection (1)(f) that does not comply with this section,
- commits an offence and is liable on summary conviction to a fine not exceeding level 3 on the standard scale.
- (5) A person convicted of an offence under subsection (4) by virtue of subsection (4)(b) is also personally liable to the holder of the document for the amount specified in the document unless that amount is duly paid by the society.
- (6) For the purposes of this section—
- (a) “conveyance” means any document for the creation, transfer, variation or extinction of an interest in land;
  - (b) references to execution include—
    - (i) purported execution, and
    - (ii) the doing of any act which (though not by itself execution) combined with other acts constitutes execution or purported execution;
  - (c) references to a society’s website include a section of any other person’s website that relates to the society if—
    - (i) the society placed the section on the other person’s website, or
    - (ii) the society authorised it to be placed there.

### **13 Change of name**

- (1) A registered society may change its name if—
- (a) a resolution for that purpose is passed at a general meeting of the society, appropriate notice of the resolution having been given, and
  - (b) the FCA gives its approval in writing to the change of name.
- (2) “Appropriate notice” means—
- (a) the notice required by the society’s rules for a resolution changing its name, or
  - (b) if the rules do not make special provision about the notice for such resolutions, the notice required by the rules for a resolution to amend the rules.
- (3) A change in the name of a registered society does not affect any right or obligation of the society or of any member (and any pending legal proceedings may be continued by or against the society notwithstanding its new name).

*Rules: general*

**14 Content of a society's rules**

A registered society's rules must contain provision about the following matters—

*1. Name*

The society's name (which must comply with section 10).

*2. Objects*

The objects of the society.

*3. Registered office*

The place of the society's registered office, to which all communications and notices to the society may be addressed.

*4. Membership*

The terms of admission of the members, including any society or company investing funds in the society under the provisions of this Act.

*5. Meetings, voting, changes to rules*

The method of holding meetings, the scale and right of voting, and the method of making, altering or rescinding rules.

*6. Committees and officers*

The appointment and removal of a committee (by whatever name) and of managers or other officers and their respective powers and remuneration.

*7. Maximum shareholding*

Determination in accordance with section 24 of the maximum amount of the interest in the shares of the society which may be held by any member otherwise than by virtue of section 24(2).

*8. Borrowing powers etc*

Determination whether the society may contract loans or receive moneys on deposit subject to the provisions of this Act from members or others, and if so under what conditions, under what security, and to what limits of amount.

*9. Shares*

Determination whether any or all shares are transferable, and provision for the form of transfer and registration of shares, and for the consent of the committee to transfer or registration.

Determination whether any or all shares are withdrawable, and provision for the method of withdrawal and for payment of the balance due on them on withdrawing from the society.

*10. Audit*

Provision for the audit of accounts in accordance with Part 7.

*11. Withdrawal etc*

Determination whether members may withdraw from the society and if so how, and provision for the claims of the representatives of deceased members and of the trustees of the property of bankrupt members (or, in Scotland, members whose estates have been sequestrated), and for the payment of nominees.

*12. Application of profits*

The way in which the society's profits are to be applied.

*13. Seal*

If the society is to have a common seal, provision for its custody and use.

#### *14. Investment of society's funds*

Determination whether any part of the society's funds may be invested, and if so by what authority and in what way.

### **15 Rules to bind members**

- (1) A registered society's registered rules bind the society and all its members and all persons claiming through them to the same extent as if—
  - (a) each member had subscribed the member's name and affixed the member's seal to the rules, and
  - (b) there were contained in the rules a covenant on the part of each member and any person claiming through the member to observe the rules (subject to the provisions of this Act).
- (2) But a member of a registered society is not bound by an amendment of the society's rules registered after the person became a member if and so far as the amendment—
  - (a) requires the member to take or subscribe for more shares than the number held by the member at the date of registration of the amendment,
  - (b) requires the member to pay upon the shares held by the member at that date any sum exceeding the amount unpaid upon them at that date, or
  - (c) in any other way increases the liability of that member to contribute to the share or loan capital of the society,unless the member consents in writing to the amendment.
- (3) In its application to Scotland, subsection (1) has effect as if the words "and affixed the member's seal" were omitted.

### **16 Amendment of rules**

- (1) Any amendment of a registered society's rules is not valid until the amendment is registered under this Act.
- (2) A registered society must give the FCA 2 copies of any amendment to its rules, signed by the society's secretary and—
  - (a) where both or all of its members are registered societies, by the secretaries of 2 of those registered societies;
  - (b) otherwise, by 3 of its members.
- (3) Subsections (1) and (2) do not apply to a change in a society's registered office or name, but—
  - (a) the FCA must be given notice of any change of registered office, and
  - (b) where such notice is given, or where a registered society's name is changed (see section 13), the FCA must register the change of registered office or name as an amendment of the society's rules.
- (4) If the FCA is satisfied that an amendment of a society's rules is not contrary to the provisions of this Act, it must—
  - (a) register the amendment, and
  - (b) give the society an acknowledgment of registration bearing the FCA's seal.

**17 Appeal against refusal to register amendment of rules**

- (1) A society may appeal to the appropriate court from a decision of the FCA refusing registration of an amendment of the society's rules.
- (2) "The appropriate court" means—
  - (a) if the society's registered office is in Scotland, the Court of Session;
  - (b) otherwise, the High Court.
- (3) If the decision is overruled on appeal, the FCA must register the amendment and give the society an acknowledgment of registration under section 16.

**18 Duty to provide copy of rules on demand**

- (1) A registered society must give a copy its registered rules to any person who asks for them and (subject to subsection (2)) pays such fee as the society may require.
- (2) No fee is payable where the request is made by a member of the society who has not previously been given a copy of those rules.
- (3) The fee may not exceed £5 or such other amount as the Treasury may by order specify.

*Rules: supplementary provisions***19 Provision of rules with intent to mislead or defraud**

- (1) A person commits an offence if, with intent to mislead or defraud, the person gives to any other person—
  - (a) a copy of any rules other than the registered rules of a registered society on the pretence that they are the society's existing rules or that there are no other rules of the society, or
  - (b) a copy of the rules of a society which is not a registered society on the pretence that they are the rules of a registered society.
- (2) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 1 on the standard scale.

**20 Creation of offences by a society's rules**

A registered society's rules may provide that any contravention or failure to comply with any of the rules is an offence, punishable on summary conviction by a fine not exceeding such reasonable sum as is specified by the rules.

**21 Rules as to fund for purchase of government securities**

- (1) The rules of a registered society (or a society to be registered under this Act) may make provision for the setting up and administration by the society of a fund for the purchase on behalf of members contributing to the fund of—
  - (a) defence bonds,
  - (b) national saving certificates, or

- (c) any other securities of Her Majesty's Government in the United Kingdom for the time being prescribed under section 47(1) of the Friendly Societies Act 1974.
- (2) The rules may make provision for enabling persons to become members of the society for the purpose only of contributing to that fund and without being entitled to any rights as members other than rights as contributors to that fund.

## **22 Rules of agricultural, horticultural or forestry society may provide for loans without security**

- (1) This section applies to a registered society (or a society to be registered under this Act) if—
- (a) the society consists mainly of members who are—
    - (i) producers of agricultural or horticultural produce or persons engaged in forestry, or
    - (ii) organisations of such producers or persons, and
  - (b) the society's object or principal object is the making to its members of advances of money for agricultural, horticultural or forestry purposes.
- (2) The fact that the society's rules provide (or would if amended provide) for the making of such advances without security is not a ground for refusing to register those rules (or the amendment).

## **23 Supplementary provisions as to rules**

- (1) The rules of a registered society (or any schedule to them) may specify the form of any instrument necessary for carrying the purposes of the society into effect.
- (2) Any provision made by or under this or any other Act requiring or authorising the rules of a registered society to deal with particular matters does not affect the power of a registered society to make rules about any other matter which—
- (a) are not inconsistent with the provision (or any other provision of this or any other Act), and
  - (b) are not otherwise unlawful.

### *Maximum shareholding*

## **24 Maximum interest in a society's withdrawable shares**

- (1) A member of a registered society (or of a society to be registered under this Act) may not have or claim any interest in the society's withdrawable shares exceeding £100,000.
- (2) Subsection (1) does not apply—
- (a) to a member that is a registered society,
  - (b) to an authority that acquired the holding by virtue of section 58 or 59(2) of the Housing Associations Act 1985 or section 22 of the Housing Act 1996 (promotion and assistance by local authority of housing associations),
  - (c) if the society is a private registered provider of social housing, to shares acquired by a local authority under the power in section 2 of the Local

Government Act 2000 (power of local authority to promote well-being) or section 1 of the Localism Act 2011 (local authority's general power of competence), or

- (d) to a member who acquired the holding by virtue of paragraph 2 of Part 1 of the Schedule to the Agricultural Credits Act 1923 at a time when section 2 of that Act applied to the society.

## **25 Power to amend limit in section 24**

- (1) The Treasury may by order substitute for the sum for the time being specified in section 24(1) (maximum interest in withdrawable shares) such other sum (not less than £5,000) as may be specified in the order.
- (2) The order may—
  - (a) make any such provision in connection with the alteration of the limit for the time being applicable under section 24(1) as was made by section 1 of the Industrial and Provident Societies Act 1975 in connection with the alteration made by section 1(1) of that Act (power of committees to amend rules etc), and
  - (b) contain such other transitional, consequential, incidental or supplementary provisions as appear to the Treasury to be necessary or appropriate in that connection.

### *Power to hold land*

## **26 Power to hold land etc**

- (1) A registered society may—
  - (a) (unless its registered rules provide otherwise) hold, purchase or take a lease of any land in its own name;
  - (b) sell, exchange, mortgage or lease any such land;
  - (c) construct, alter or demolish buildings on it.
- (2) No purchaser, assignee, mortgagee or tenant is bound to inquire as to the authority for any such dealing with the land by the society.
- (3) The society's receipt is a discharge for all moneys arising from or in connection with any such dealing.
- (4) In Scotland, this section has effect as if—
  - (a) for "exchange" there were substituted "excamb";
  - (b) for "mortgage" there were substituted "grant a heritable security over";
  - (c) for "mortgagee" there were substituted "creditor in a heritable security".

### *Power to invest etc*

## **27 Power to invest**

- (1) A registered society may invest any part of its funds in or upon any security authorised by its registered rules.



- (2) A registered society may, unless its registered rules provide otherwise, invest any part of its funds—
- (a) in or upon any relevant security of a relevant authority (see subsection (3));
  - (b) in the shares or on the security of—
    - (i) any other registered society,
    - (ii) a building society, or
    - (iii) a company registered under the Companies Acts or incorporated by Act of Parliament or by charter,  
being a society or company with limited liability;
  - (c) in or upon any other security in which trustees are for the time being authorised by law to invest (for which purpose sections 1 to 6 of the Trustee Investments Act 1961 apply as if the society were a trustee and its funds were trust property).
- (3) In this section—
- “building society” has the same meaning as in the Building Societies Act 1986;
  - “relevant authority” means—
    - (a) a billing authority or precepting authority, as defined in section 69 of the Local Government Finance Act 1992,
    - (b) a fire and rescue authority in Wales constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies,
    - (c) a levying body within the meaning of section 74 of the Local Government Finance Act 1988, or
    - (d) a body as regards which section 75 of that Act applies;
  - “relevant security” means any mortgage, bond, debenture, debenture stock, corporation stock, annuity, rentcharge, rent or other security (not being securities payable to bearer) that is authorised by or under any Act.

## **28 Proxy voting by societies**

- (1) A registered society which has invested any part of its funds in the shares or on the security of any other body corporate may appoint one of its members as its proxy (whether or not the member is a shareholder of the body corporate).
- (2) A member appointed under this section is, during the period for which the member is appointed, to be taken by virtue of the appointment as holding the number of shares held by the society for all purposes except—
- (a) the transfer of any such share, and
  - (b) the giving of a receipt for any dividend on any such share.

### *Power to restrict use of assets*

## **29 Power to restrict use of assets of a community benefit society**

- (1) The Treasury may by regulations make provision for enabling any community benefit society, or any community benefit society of a prescribed kind, to ensure that—
- (a) assets of the society of a prescribed kind,

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*Status: This is the original version (as it was originally enacted).*

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- (b) assets of the society specified by it in accordance with the regulations, or
  - (c) all of the society's assets,
- cannot be used or dealt with except in a case mentioned in subsection (2).

(2) The cases are—

- (a) where the use or dealing is, directly or indirectly—
  - (i) for a purpose that is for the benefit of the community and is of a prescribed kind, or
  - (ii) if no kinds of purpose are prescribed under this paragraph, for any purpose that is for the benefit of the community, or
- (b) where the circumstances are such as may be prescribed.

(3) Where under the regulations a society has ensured as mentioned in subsection (1) as respects any of its assets, the assets concerned are “dedicated assets” for the purposes of this section.

(4) Regulations under this section may, in particular—

- (a) provide for the procedure by which a society may ensure as mentioned in subsection (1);
- (b) provide for such of a society's rules as are of a prescribed kind to be unalterable, or for them to be alterable only in prescribed circumstances or in circumstances specified in rules of a prescribed kind;
- (c) provide that, in any circumstances prescribed under subsection (2)(b), dedicated assets must be dealt with in a prescribed way;
- (d) make provision for ensuring that any society, company or other person to whom any dedicated assets are transferred in prescribed circumstances cannot use or deal with those assets except in a case mentioned in subsection (2);
- (e) provide for members of a society who lose property rights as a result of the society's ensuring as mentioned in subsection (1) to be compensated for that loss (whether by payment of a prescribed amount or of an amount determined in a prescribed way or otherwise), subject to such exceptions as may be prescribed;
- (f) provide for the enforcement of provisions designed to ensure as mentioned in subsection (1);
- (g) make provision for the carrying out of investigations by persons appointed by a prescribed person;
- (h) confer power on a prescribed person to require persons of a prescribed description to provide the prescribed person with information in order to enable or assist that person to perform any of the person's functions under the regulations;
- (i) provide for restrictions on the use and disclosure of information obtained by any person in the performance of any function under the regulations.

(5) Regulations under this section may—

- (a) impose criminal liability;
- (b) confer functions on a prescribed person;
- (c) confer jurisdiction on any court;
- (d) authorise a prescribed person to make rules, binding on persons of a prescribed description, for the purpose of enabling or assisting the prescribed person to perform any of the person's functions under the regulations;
- (e) make provision as to the making, publication and enforcement of such rules;

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*Status: This is the original version (as it was originally enacted).*

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- (f) provide for a prescribed person to charge fees sufficient to meet the costs of performing any of the person's functions under the regulations;
  - (g) modify, exclude or apply (with or without modifications) any enactment or rule of law;
  - (h) contain such incidental, consequential and supplementary provision as the Treasury consider appropriate;
  - (i) make different provision for different cases.
- (6) Regulations under this section may not create any new criminal offence punishable with imprisonment for more than 7 years.
- (7) In this section—
- “community benefit society” includes a pre-commencement society that meets the condition in section 2(2)(a)(ii);
  - “prescribed” means prescribed by regulations under this section.