

Guidance on the FCA's registration function under the Co-operative and Community Benefit Societies Act 2014

October 2014



We are asking for comments on this Consultation Paper by 28th November 2014.

You can send them to us using the form on our website at:
www.fca.org.uk/your-fca/documents/consultation-papers/cp14-22-response-form.

Or in writing to:

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We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Consultation Paper from our website: www.fca.org.uk. Or contact our order line for paper copies: 0845 608 2372.

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1. Overview

Introduction

- 1.1** In this consultation paper, we are seeking your views on general guidance we plan to publish on the exercise of our functions related to societies registered under the Co-operative and Community Benefit Societies Act 2014 (the Act).

Who does this consultation affect?

- 1.2** This consultation affects societies registered or planning to register under the Act.

Is this of interest to consumers?

- 1.3** Our proposals primarily affect societies and prospective societies, but will be of interest to consumers who may be invited to acquire shares in a registered society. These shares, which may be described as 'withdrawable shares' or 'community shares', are issued as capital. The issue and promotion of these shares is not subject to any regulation.

Context

- 1.4** Our registration function for societies under the Act is distinct from our functions as a regulator of financial services. Under the Financial Services Act 2012 (Mutual Societies) Order 2013, the FCA must maintain arrangements designed to enable it to determine whether persons are complying with requirements imposed on them by or under the legislation relating to mutual societies (including the Act).

Summary of our proposals

- 1.5** The guidance sets out our approach to our role as the registering authority and it explains societies' obligations and certain legal processes. The policies that underlie the guidance are not new. However, their publication in the form of general guidance under the Financial Services and Markets Act 2000 is aimed at making the registration process more transparent.

Equality and diversity considerations

- 1.6** We have assessed the likely equality and diversity impacts of the proposals and do not think they give rise to any concerns. But we would welcome your comments.

Next steps

- 1.7** We want to know what you think of the guidance. Please send us your comments by 2, using the online response form on our website, or by writing to us at the address on page 2.

What will we do?

- 1.8** We will consider your feedback and publish our guidance in a Policy Statement later in 2014 or early 2015.

Annex 1:

Cost benefit analysis

1. This cost benefit analysis follows the requirements set out in section 138I of the Financial Services and Markets Act 2000 (FSMA) as amended by the Financial Services Act 2012. These require the FCA to publish a cost benefit analysis of its proposed rules, unless there will be an increase in costs of minimal significance.
2. We do not plan to issue a cost benefit analysis as we believe the costs of compliance with the Guidance will be of minimal significance.

Appendix 1: Draft text of Guidance

Overview

This draft guidance sets out our approach to our role as the registering authority and explains societies' obligations and certain legal processes. We will consider comments and publish our finalised guidance over the next few months.

Co-operative societies and community benefit societies each have special characteristics that our registration processes are intended to preserve.

The Co-operative and Community Benefit Societies Act 2014 (the Act) sets out the conditions that all societies must satisfy in order to become registered. As part of our registration process, societies must demonstrate that they meet these conditions. This guidance explains the registration process and sets out our existing policy.

For **co-operative societies**, we choose to take into account the Statement of Co-operative Identity, Values and Principles published by the International Co-operative Alliance in deciding whether the conditions for registration are met. We expect all co-operative societies to demonstrate compliance with the Statement of Co-operative Identity, Values and Principles. We look for evidence that members of co-operative societies will actively participate in the main business of the society and that members' primary motivation for joining is the opportunity to participate in the business. In line with provisions under the Act, we will not register societies that exist primarily to pay returns on subscribed capital.

Community benefit societies exist to benefit a defined community. The interests of the members of these societies must be subordinate to those of the community identified in the society's rules.

Registration as either of these types of society provides a corporate vehicle with limited liability. Registration also allows societies to issue shares without the need to comply with the financial promotion and prospectus rules, which are designed to protect consumers by ensuring that they are better informed of the risks attaching to an investment.

Because of the privileges that registration as a society brings, it is important that we only register businesses which demonstrate these characteristics. Businesses that are unable to demonstrate these characteristics may be suited to alternative corporate forms, such as a Community Interest Company, a Company or a Limited Liability Partnership.

Please see our consultation paper 'Guidance on the FCA's registration function under the Co-operative and Community Benefit Societies Act 2014' for details of how to respond.

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1 Introduction

- 1.1 The Financial Conduct Authority (FCA) is the registering authority for mutual societies under the Co-operative and Community Benefit Societies Act 2014 (the Act):
- Co-operative societies.
 - Community benefit societies.
 - Registered societies (including societies previously known as 'industrial and provident societies').
- 1.2 This guide explains:
- how we approach our role as registering authority
 - our policy
 - society law
- 1.3 This guide should be read by people:
- setting up a society
 - on the committee/board of societies
 - advising societies
- 1.4 Members of societies may also find this guide useful as it sets out member rights and society obligations.

2 Our role

What we do

- 2.1 We are the registering authority for mutual societies. This involves:
- registering new societies
 - assessing rule amendments, resolutions and other documents
 - checking that societies are complying with the Act
 - taking action against non-compliant societies
 - deregistering societies
 - keeping details of societies for the public to check
- 2.2 We must maintain arrangements that are designed to enable us to determine whether a society is complying with the Act.

What we do not do

- 2.3 We do not give advice on how to set up or run a society.
- 2.4 We do not give feedback on a society's governance arrangements; we are concerned solely with it complying with requirements imposed under legislation relating to mutual societies.
- 2.5 We are barred from getting involved in disputes between members and their society.

Public records service

- 2.6 You can search our [register¹](http://mutuals.fsa.gov.uk) of mutuals societies, and buy copies of documents such as new registration applications, certificates, and rules.

¹ <http://mutuals.fsa.gov.uk>

3 Our powers

- 3.1 If we have concerns that a society is not complying with its requirements under legislation relating to mutual societies, we can:
- require that the society give us information and documents
 - have accounts audited by a qualified auditor
 - appoint an inspector to inspect the society
 - suspend or cancel a society's registration
 - prosecute societies, which can result in a fine from the court
- 3.2 We have in the past, and continue to use our powers where appropriate. We publish a [list](#)² of prosecutions and cancellations.
- 3.3 Where applicable, we will use our powers to the extent necessary to maintain confidence in mutual societies.
- 3.4 We provide more details on our powers below.

Requiring information and documents

- 3.5 If a society does not provide information and documents we ask for, we may formally require them. It is an offence to refuse to supply them.
- 3.6 We may use this power if we feel we need information to enable us to determine whether the society is complying with the Act.

Appointing an inspector

- 3.7 We have the power to appoint an inspector to investigate the affairs of a society in certain circumstances, for example if it appears to us that:
- there may be possible fraud against creditors
 - the society may be breaking the Law
 - members aren't getting the information they should expect
 - members aren't being consulted properly, e.g. decisions are being made without a vote

² <http://fca.org.uk/firms/firm-types/mutual-societies/prosecutions-cancellations>

- 3.8 Inspectors may demand documents and interview persons under oath. If any person obstructs the inspector's work, this can be certified to the court, which may treat the obstruction as a contempt of court, which is a criminal offence.
- 3.9 Once the inspectors have written their report, we may publish it if we think it would be in the public interest and it wouldn't affect any further steps we may take.

Auditing accounts

- 3.10 We can demand that a society's accounts are audited by a qualified auditor. This applies to the current year of account or any number of previous years.
- 3.11 The reasons we may do this include if a society has failed to submit accounts, or where its accounts have not been done to a reasonable standard.

Suspending registration

- 3.12 We can suspend the registration of a society for periods of three months if:
- it has wilfully and after being informed by the FCA violated any legal requirements under statute
 - the society exists for an illegal purpose
 - a lending society for members involved in horticulture, agriculture or forestry no longer consists mainly of members engaged in those activities or no longer lends to members as its main activity
- 3.13 A suspended society is, for the duration of the suspension, not entitled to any of the privileges of the Act as a registered society.
- 3.14 We will give at least two months' notice of our intention to suspend the society's registration.
- 3.15 After the first three-month period of suspension a society can appeal to the court against any further suspension period.

Cancelling registration

- 3.16 Where the relevant conditions are satisfied we may cancel a society's registration. This would happen where there has been a breach of the legislation, e.g.
- it is no longer behaving like a co-operative society or a community benefit society
 - it has not submitted annual returns
 - it has not followed legal requirements after we have informed it of the problem

- we have good reason to believe that:
 - registration was obtained by fraud or mistake
 - the society has fewer than three members (or two if those members are registered societies)
 - the society doesn't exist any more
 - the society exists for an illegal purpose; or
 - a lending society for members involved in horticulture, agriculture or forestry no longer consists of mainly of members engaged in those activities or no longer lends to members as its main activity

- 3.17 You will find more guidance on what we regard as a co-operative society or community benefit society from pages 11 and 14 respectively.
- 3.18 Once a society's registration has been cancelled it cannot be restored.
- 3.19 We will give at least two months' notice of a proposed cancellation, stating our reasons. During the two-month period the society or its representatives may make representations as to why the society's registration should not be cancelled. This can be done either in writing or in person.
- 3.20 If we are cancelling the registration of a society we expect it to take steps to convert to a company, or to dissolve itself.
- 3.21 If the society has not taken such steps within a month, we may direct it to wind up its affairs. Societies must comply with that direction. It is an offence to not do so.
- 3.22 Cancellations are advertised in a newspaper local to the society, and in the [London or Edinburgh Gazette](#)³.

Prosecution

- 3.23 We can prosecute societies for offences under the Act – these are criminal offences and include:
- not sending us annual returns or other documents we require
 - an officer not carrying out any duties as an officer of the society is required to do
 - deliberately ignoring or refusing a request from us for information or anyone we've authorised, e.g. an auditor
 - giving false or incomplete information or returns
- 3.24 If an officer personally did not commit any of these offences, but was aware of the offence or did not try to prevent the offence, that officer may still be prosecuted.

³ <https://www.thegazette.co.uk/>

3.25 Details of prosecutions can be found [here](#).⁴

Powers against community benefit societies with statutory asset locks

3.26 Community benefit societies can have a statutory asset lock. This is designed to ensure that assets stay within the society for the benefit of the community. Find more detail from page 17.

- Warning and enforcement notifications

If a community benefit society breaks its asset lock rules we can issue an enforcement notice. This will order you to bring assets back into the society and not to breach the limits again.

- Order restitution by officers

If a breach of the asset lock has caused financial loss, we can order the officers of the society to repay what we think is a fair amount. We can only do this if the officer knew about the breach.

- Removal of officers

We can remove an officer if they knew about the breach and did nothing to prevent or correct it.

⁴ <http://fca.org.uk/firms/firm-types/mutual-societies/prosecutions-cancellations>

4 Defining co-operative society

- 4.1 This part sets out our approach to defining what can and cannot be registered as a co-operative society.
- 4.2 All registered societies must be carrying out a business, industry or trade.
- 4.3 For a society to be a co-operative society, it must be a bona fide co-operative. It must not carry on its business industry or trade with the object of making profits mainly to pay interest, dividends or bonuses on shares or other money lent to or deposited with the society.
- 4.4 In addition, it must meet our criteria set out below. These are partially aligned to the International Co-operative Alliance Statement of Identity, Values and Principles (Annex 1).
- 4.4.1 **Community of interest:** there should be a common economic, social or cultural need or interest among all members of the co-operative.
- 4.4.2 **Conduct of business:** the business will be run for the mutual benefit of its members. The benefit members obtain will stem principally from their participation in the business. This would typically be through:
- buying from or selling to the society
 - using the services or amenities provided by it, or
 - supplying services to carry out its business
- 4.4.3 **Membership:** membership should be open to anyone who participates in the business of the society. There should be no artificial restriction on membership, but there may be some common sense limits. For instance – a social club may be limited by the size of its premises, or a workers' co-op limited to employees. Also, it is reasonable to demand some form of commitment, e.g. a housing co-operative may require someone to go through a probationary period before being offered membership.
- Members must be free to leave as they wish, although they may have to complete contractual commitments after leaving.
- 4.4.4 **Democratic control:** control of the society lies with all members. It is exercised by them equally and should not be based, for example, on the amount of money each member has put into the society. In general, the principle of 'one member, one vote' should apply. Elected representatives, such as directors or committee

members, must be accountable to the membership and can be elected and removed by the members.

- The mechanics of the voting process must not disadvantage some members. For example, while online voting is acceptable, members who do not have access to such technology must not be prejudiced and must be able to cast a vote.
- Members must have an effective voice in running the society and controlling the committee or board. This means that elected directors or committee members must always be the majority on the board. Elected representatives must be accountable to the membership at members' meetings and members must be able to remove them. Any qualification laid down in the rules for election as a director must not unduly limit the number of members who qualify. Members' meetings must be held regularly and a proportion of members must be able to call a meeting between the regular annual meetings.
- Where meetings are held as delegate meetings the principle of democratic member control must be reflected in the rules and procedures of the society.
- In some cases, it may not be appropriate to apply the 'one member one vote' principle, e.g. in secondary co-operatives, where it would be fairer to base voting on, trade between societies.
- There may be times when it's reasonable for member's votes to be weighted differently. For example, in certain multistakeholder or hybrid co-operatives, that have different 'classes' of members.
- In any case, the aim of departing from this principle must be to protect the interests of non-investor members.
- Fundamentally, we will not accept measures that link voting power to the amount held in shares.

4.4.5 **Interest on share and loan capital:** the payment of interest on shares or loan capital should not be used as a means of profit distribution. Any interest paid on shares or loan capital must not be more than is necessary to obtain and retain enough capital to run the business.

4.4.6 **Profits:** if the rules of the society allow profits to be distributed, each member should receive an amount that reflects how much they've traded with the society or taken part in its business based on a fair calculation method. For example, in a retail trading society, profits could be distributed as a dividend or bonus on the value of purchases or sales.

- Where such a fair calculation method cannot be achieved or agreed on it may be simplest to distribute profits equally amongst members.

Subsidiaries

- 4.5 Subsidiaries wholly owned by a co-operative parent should still remain fully committed to the co-operative values and principles.

What is not a co-operative

- 4.6 We do not generally consider societies to be co-operative where:
- most of its goods or services are sold or delivered to non-members
 - its business mainly benefits non-members
 - more than 25% of the membership are simply investors, and don't have any other relationship with the society

5 Defining community benefit society

- 5.1** This part sets out our approach to defining what is, and is not, a capable of registration as a community benefit society.

The Act's definition

- 5.2** All registered societies must be carrying out a 'business, industry or trade'" and: "the business of the society is being, or is intended to be, conducted for the benefit of the community"⁵.
- 5.3** The legislation offers no further definition of a community benefit society. However, it is clear from the Parliamentary debates at the time when the concept of a community benefit society was created that Parliament intended these societies to be "philanthropic" and that capital invested in the society was placed there "with very little hope of return".⁶

Our approach

- 5.4 Conduct of business:** the business should be run primarily for the benefit of people who are not members of the society. It should also be in the interests of the community at large. The representation of constituencies such as employees, service users and supporters such as local authorities or other government agencies should not inhibit that. It will usually be charitable or philanthropic in character. Societies should be run democratically, generally on the principle of one member one vote.
- 5.5 Interest on share and loan capital:** It is unusual for a community benefit society to issue more than nominal share capital (for example, one £1 share per member). Where it does issue more than nominal share capital or where members make loans to the society, or both, any interest paid should not be more than a reasonable rate necessary to obtain and retain enough capital to run the business.
- 5.6 Profits and assets:** the society's rules should not allow either profits or the society's assets to be distributed to the members. Profits should generally be used to further the objects of the society by being ploughed back into the business. Where profits are used in part for another purpose, it should be similar to the main object of the society, for example for philanthropic or charitable purposes. The rules should specify the beneficiary or beneficiaries, if any.

⁵ s2(2)(a)(ii) the Act

⁶ http://hansard.millbanksystems.com/commons/1938/nov/21/prevention-of-fraud-investments-bill#S5CV0341P0_19381121_HOC_353

5.6.1 Where the rules of the society allow assets to be sold, the proceeds of the sale should be used to further the society's business activities only.

5.7 Dissolution: the society's rules should not allow its assets to be distributed to its members if it is dissolved. The rules should state that, on dissolution, the assets should be transferred, for example, to some other body with similar objects. If this body doesn't exist, the rules should state that the assets should then be used for similar charitable or philanthropic purposes.

Not community benefit societies

5.8 We do not consider co-operatives to be community benefit societies.

5.9 Co-operatives should exist primarily for the benefit of their members. This is directly incompatible with a community benefit society that must exist for the benefit of people who are not members. A society cannot be both.

Joint ventures

5.10 Community benefit societies must benefit the community. Where a community benefit society is exploring entering into a joint venture, it should consider how that joint venture furthers the society's objects. It should also assess whether the joint venture would benefit the community.

5.11 Entering into a joint venture with a for-profit enterprise could mean that the community benefit society carries out activity that benefits a for-profit business. We would need to be satisfied that this is beneficial to the community.

Closed membership

5.12 Some societies, particularly housing associations in England, restrict membership of the society to those on its board. This is permissible. Though where a society's membership consists of its board, there is a potential lack of scrutiny that would otherwise be present where you have members who do not sit on the board. Therefore, we will seek assurances as to how:

- The board will demonstrate transparent decision-making.
- The board will ensure independence amongst board members.
- The community will continue to benefit.

6 All societies

Rules

Objects

- 6.1** This section sets out the parts of our approach that are applicable to all registered societies.
- 6.2** Societies must have an 'objects' rule. The 'objects' describe and identify the purpose for which the society has been set up. Objects rules can be broad, but they should not be so vague that they are essentially meaningless. For example, an object for a community benefit society of 'to benefit the community' is insufficient.

Entrenchment/fundamental rules

- 6.3** Some societies have sought to entrench rules in an attempt to make them impossible to amend. Society law, unlike company law, offers no statutory power of entrenchment.
- 6.4** A society can still deem certain clauses to be fundamental, or put in higher thresholds for rule amendments to particular clauses as long as such amendment does not go against applicable legislation.
- 6.5** Before registering a rule amendment, we will look at whether the clause being amended is subject to a fundamental rule or higher voting threshold of some sort and seek to give it that effect.
- 6.6** We are limited in our ability to do this. The courts have determined that even fundamental clauses can be changed under certain circumstances, e.g. unanimous approval for the rule amendment.

Changes to statutory thresholds

- 6.7** The legislation gives societies the ability to:
- transfer engagements to another society or a company
 - convert to a company
 - amalgamate with other societies

- 6.8** When doing so, the legislation stipulates the voting thresholds to be met.
- 6.9** The rules of a society cannot vary statutory thresholds. Where the legislation says a society may do X if X% of members vote in favour, then the rules of a society cannot change this. This means a society cannot set out in its rules 'absolute minimums' on numbers of members voting, or introduce additional voting thresholds.
- 6.10** If the legislation states a society is entitled to do something if certain criteria are met, then no rule can alter this.

Statutory asset locks

- 6.11** Statutory asset locks place a legal restriction on how a society's assets can be used. They are only available to community benefit societies except registered social landlords, or charities.
- 6.12** Where a statutory asset lock is in place, societies cannot use their assets except where the use is directly or indirectly for the benefit of the community; or, for one of the purposes listed in the rule below.
- 6.13** Co-operative societies may seek to put a non-statutory asset lock in their rules, but it does not have the same effect as a statutory asset lock.
- 6.14** For a community benefit society to put in place a statutory asset lock, their rules must include the following wording⁷:

Restriction on use

Pursuant to regulations made under section 1 of the Co-operatives and Community Benefit Societies Act 2003:

(1) All of the society's assets are subject to a restriction on their use.

(2) The society must not use or deal with its assets except—

(a) where the use or dealing is, directly or indirectly, for a purpose that is for the benefit of the community;

(b) to pay a member of the society the value of his withdrawable share capital or interest on such capital;

(c) to make a payment pursuant to section 24 (proceedings on death of nominator),²⁵ (provision for intestacy) or 26 (payments in respect of mentally incapable persons) of the Industrial and Provident Societies Act 1965;

(d) to make a payment in accordance with the rules of the society to trustees of the property of bankrupt members or, in Scotland, members whose estate has been sequestrated;

(e) where the society is to be dissolved or wound up, to pay its creditors; or

⁷ Regulation 2, Schedule 1, The Community Benefit Societies (Restriction on Use of Assets) Regulations 2006

(f) to transfer its assets to one or more of the following—

(i) a prescribed community benefit society whose assets have been made subject to a restriction on use and which will apply that restriction to any assets so transferred;

(ii) a community interest company;

(iii) a registered social landlord which has a restriction on the use of its assets which is equivalent to a restriction on use and which will apply that restriction to any assets so transferred;

(iv) a charity (including a community benefit society that is a charity); or

(v) a body, established in Northern Ireland or a State other than the United Kingdom, that is equivalent to any of those persons.

(3) Any expression used in this rule which is defined for the purposes of regulations made under section 1 of the 2003 Act shall have the meaning given by those regulations.

6.15 Societies' rules can contain this wording at the point of registration, or it can be added at any point by special resolution.⁸

Names

6.16 We can reject any name we find undesirable. We set out below our approach to defining 'undesirability'.

6.17 Broadly speaking, names should reflect the character of the society.

6.18 We will not normally allow names to be used where the name:

- or a similar name, is being used by another society, company or charity
- has been used in the past 10 years by another entity. This could lead to confusion or uncertainty, and opens up questions as to whether the new society is a restoration, or otherwise, of the previous entity.
 - We may make exceptions if, for reasons given, the society is clearly different from the entity previously using the name.
- is offensive
- constitutes a criminal offence
- suggests registration as a different type of legal entity
- is in a foreign language without an accompanying explanation
- implies royal, government or public authority patronage that is non-existent
- implies regional, national or international pre-eminence which is non-existent
- includes the name, brand or trademark of another organisation without their permission

⁸ Clause 4, *ibid.*

- includes a word requiring permission without that permission (see Annex 2)

'Limited'

- 6.19** The name of every society must contain the word 'Limited' (or 'cyfyngedig') unless we are satisfied that the society's objects are wholly charitable or benevolent.

'Co-operative' and 'Community benefit society'

- 6.20** Community benefit societies are not co-operatives and cannot use the word 'co-operative', or any derivation of that word, in their name. Likewise, co-operative societies are not community benefit societies and therefore cannot use the words 'community benefit society' in their name.

Use of 'trust'

- 6.21** If a society wants to use the word 'trust', it must confirm:

- the society's rules are wholly charitable
- the society's rules do not provide for payment of any dividend on its shares. If the rules provide for the payment of any interest on its shares, then the rules must provide that any such interest payment has to be very limited.

- 6.22** If the name refers to an existing trust, the society should supply evidence of permission from that trust for the use of its name.

- 6.23** We allow community benefit societies to use the words 'supporters trust' where they are societies supporting particular sports teams.

- 6.24** The phrase 'community land trust' can also be used where the society is a community land trust (defined in England and Wales in the Housing and Regeneration Act 2008).

Using a person's name

- 6.25** If a society is being named after someone, you will need to explain the society's connection with that person and why it is appropriate for the society to use their name. Where possible, the society should seek the permission of the person or, if deceased, their estate.

Use of 'group'

- 6.26** 'Group' usually refers to a parent entity in a group of several legal entities. If this does not describe the position of the society then the society will need to explain why it is appropriate for the society to use the word.

Languages other than English

- 6.27** A society with its registered office in Wales can register a society name in Welsh. If you wish to use words from any other language, the society must give us a translation of those words. It will not be possible to register your society in two different languages, even if the meaning is the same.

Capital

- 6.28** To ensure that both co-operatives and community benefit societies comply with the registration conditions we may take a view on the suitability of the terms of issue of society share and loan capital.
- 6.29** We focus on the limits on investor rights needed for a co-operative or a community benefit society to meet its ongoing registration requirements.
- 6.30** The key principle common to both forms of society is that a decision to acquire shares should mainly be motivated either by:
- the opportunity to participate in a co-operative business, or
 - to support the objectives of a community benefit society
- 6.31** It should not be the prospect of the financial return, if one is offered. This financial return should generally be set at levels that do not exceed the return on savings accounts.

The limited rights of investors in societies

- 6.32** Our expectations for the terms under which 'share' and 'loan capital' are issued by societies differ between co-operative societies and community benefit societies.

6.32.1 Co-operatives

- Section 2(3) of the Act excludes from the definition of a co-operative:

“a society that carries on, or intends to carry on, business with the object of making profits mainly for the payment of interest, dividends or bonuses on money invested or deposited with, or lent to, the society or any other person”

- Other key features flow from the principles explained on page 11 above:
 - No category of member should have disproportionate influence on the conduct of the society's affairs. Any surplus distributed to members must be based on the member's trade with the society, subject to the rights of any investor members. Only fixed interest to the amount

sufficient to attract and retain capital can be paid to members for the use of their share or loan capital.

- Every member should hold at least one share. Members' voting rights must not be linked to their capital stake.

6.32.2 Community benefit societies

- Share and loan capital terms, whether in community benefit society rules or a separate document, must be consistent with the society's commitment to community benefit. The business must be run primarily to benefit the community at large rather than society members; and, it is often charitable or philanthropic.
- The following principles flow from that:
 - The society must not be operated for the benefit of providers of share or loan capital or other stakeholder groups.
 - Any surplus must be used to benefit the community by reinvestment in the business, or application to some external, but related community benefit.
 - The society's rules must prevent any profit distribution to members.
 - Only interest fixed at a rate sufficient to attract and retain capital can be paid to members for the use of their capital.
 - Any retained reserves must remain committed to community benefit.
 - The society's rules must prohibit any distribution of assets to members.
 - On dissolution, society assets must either be:
 - (a) transferred one or more other bodies with similar objects, or
 - (b) used for similar charitable or philanthropic purposes

Offers of society shares or loan securities

6.33 Societies are exempt from certain requirements under the Financial Services and Markets Act 2000 (FSMA). This is because societies should not promote members acquiring securities purely for their financial return. Hence, the terms of any offer of society shares or loan securities must not breach the principles set out above.

6.34 We may require society offers of shares or loan securities to be submitted to us so we can consider them as part of our routine monitoring of societies' continued compliance with the condition for their registration.

6.35 We will apply the following principles to share offer documents:

- It cannot be a society's purpose to make a return to investors. Any return on shares or loan stock must be limited to interest-only.
- The society's commitment to a purpose other than making a return to shareholders or lenders must be made clear in the context of any offer.

The rate of interest must be set at a level that is not in itself a motivation to buy the shares or loan securities.

- It is acceptable for the society to aim to pay a 'savings account' rate of interest from any surplus. That means:
 - (a) Normally, no more than a payment equivalent to the return a member could get by putting the money in a savings account, as long as that is less than the cost to the society of borrowing on the commercial market.

But,

- (b) Any decision to pay a higher rate should be justifiable in the context of the risk of the project; and, the rate should not exceed commercial borrowing rates. We may ask for information to support the rate of interest proposed. The predicted surplus will not normally be a relevant consideration.
- Subject to the rights of any investor members of a co-operative society, the society must commit to benefiting members primarily by paying dividends in proportion to their trade with the society (for a co-operative) or to deliver community benefit (for a community benefit society).
 - It should be made clear that, if there is a solvent dissolution, shareholders cannot be paid more than the nominal value of their shares.
 - Any return on shares issued by community benefit societies classed as exempt, charities must always meet the conditions set out below.

Society shares: general features

- 6.36** Society rules must state whether any or all shares are transferable or withdrawable. Rules must also set a maximum limit on the interest a member may hold in society shares at either the statutory limit or a lower amount.
- 6.37** In addition, the registration requirements mean that many features of society shares make them radically different from shares in a company registered under the Companies Act 2006. These differences are explained below.

Difference from company shares

- 6.38** Society shares differ from company shares, including Community Interest Companies (CIC) shares. Society shares should:
- 6.38.1 remain at par value
 - 6.38.2 not give the holder a share in the underlying value of the society and people holding the shares cannot generally expect to receive a share in any capital surplus if the society is wound-up
 - 6.38.3 give either no return or a limited return on the shares so the return is not the main motive for holding them
 - 6.38.4 not carry votes in proportion to the amount invested because members generally have equal voting rights within the society (one member, one vote)

- 6.38.5 be able to be forfeited or cancelled
- 6.38.6 be able to be withdrawable, if society rules provide for that
- 6.38.7 if withdrawable, only be held up to a limit of £100,000 (or the lower limit as may be prescribed in society rules) on holdings by individuals or companies, and
- 6.38.8 if they are not withdrawable, cannot be bought back or redeemed by the society

6.39 Any document issued to potential buyers of society shares should make these differences clear.

6.40 In general, the share capital of a society should not exceed the level needed to support the society's activities. If the society can meet its working capital requirements from reserves, no additional share capital is needed to further the purposes of the society. However, if a society needs to invest to pursue its purpose, it may look to its members for additional share capital, as long as the terms of the share issue meet the conditions set out in this Guidance. However, an amendment of a society's rules registered after a person becomes a member is not binding on a member if and so far as the amendment:

- 6.40.1 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
- 6.40.2 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
- 6.40.3 in any other way increases the liability of that member to contribute to the share or loan capital of the society

6.41 This applies unless the member consents in writing to the amendment.

Premiums on share issues and the forfeiture or cancellation of shares

6.42 The practice of issuing shares in companies to investors who pay more than the nominal value of the share to the company is known as issuing the shares 'at a premium'.

6.43 Societies should not issue shares at a premium because the practice is inconsistent with registration as a co-operative or community benefit society. This is because:

- the collective nature of the members' ownership of the society allows members no ultimate surplus proportionate to their shareholdings
- a share issue at a premium could give disproportionate influence to some members by evading a maximum holding limit in the legislation or in society rules, and
- there is usually no secondary market in the shares

Cancellation and forfeiture of society shares

6.44 Society rules may provide for the forfeiture or cancellation of shares in certain circumstances:

- Arrears in paying instalments due on a purchase of shares may lead to the forfeiture and cancellation of the shares.
- If a nominal shareholding is a condition of membership, society rules may provide for the forfeiture and cancellation of shares when a member leaves.
- Shares may also be forfeited and cancelled to remove members who no longer have any active relationship with the society from the register of members if they cannot be contacted.

Non-user investors in co-operative societies and their rights

6.45 We have adopted the policy issued by the Financial Services Authority in 2006. The position regarding non-user investor members in co-operative societies can be summarised as:

6.46

- 6.46.1 We will wish to be satisfied that a society inviting investors into membership has protections in its rules that ensure that the participation of investors will not prejudice its standing as a bona fide co-operative society. The rules of a participating society must expressly provide for investor membership and set out the rights and conditions attaching to the shares, including the restriction on voting on a resolution to convert to company status.
- 6.46.2 Shares issued to investors should be known as 'Investor Shares'. Investor Shares may be acquired by both natural and legal persons, subject to the statutory limit (currently £100,000 for withdrawable shares) on the total interest a person, other than another registered society, may hold in the shares of a society registered under the Act; a user member cannot hold Investor Shares as described here but may hold other categories of share capital subject to the general share capital set out below.
- 6.46.3 The voting rights of holders of Investor Shares may be restricted as the rules of a society direct, and may include a power to elect one or more Investor Shareholder representatives to the committee. However, we would not register rules that would permit the holders of Investor Shares to vote on a motion to convert the co-operative to company status. Such a power could compromise a society's status as a bona fide co-operative.
- 6.46.4 Investor Shares may be withdrawable or transferable; where transferable, the issuing society should take legal advice as to whether the issue falls within Part 6 rules of the Financial Services and Markets Act 2000 (FSMA).
- 6.46.5 Investor Shares should only be issued as 'risk capital'.
- 6.46.6 The holders of Investor Shares may participate in the distribution of surplus as the society's rules direct.

6.46.7 Co-operatives should not issue Investor Shares without first discussing the risks and consequences with their legal advisors.

6.47 We would not expect the value of investor shares to exceed 25% of total share capital.

Shares in exempt charities: further restrictions

6.48 Community benefit societies that are exempt charities are subject to particular restrictions on the rates of interest payable to members in addition to those set out above. The following restrictions have been agreed with the Charity Commission.

1. The rate of interest must be limited to the lower of:

- **The lowest rate of interest the society would have to pay to borrow an equivalent amount of loan capital on commercial terms broadly comparable with the terms of the society's offer.**
- **The highest rate of interest a member would be able to earn from a savings account with a bank or building society or by lending to a third party an equivalent amount of loan capital in circumstances where:**

(a) repayment of the loan could be demanded by the lender in the same circumstances as those in which the share capital may be withdrawn

(b) the ability of the borrower to repay the loan and to pay the interest on it was not in doubt, and

(c) the number of lenders and borrowers willing to enter into such loan transactions are approximately equal

2. Payments of interest must be provided for on a prudent basis in the society's revenue budget and must not be contingent on the society achieving a surplus.

3. The rates must be declared in advance of the period for which they will become payable, as for a bank or building society account, and never retrospectively.

4. There must be a power to suspend interest payments in the interests of the society and to suspend the right of withdrawal of shares, either temporarily or indefinitely.

Withdrawable shares

- 6.49** Co-operatives and community benefit societies may, and generally do, issue withdrawable shares. On the other hand, company shares (including Community Interest Companies shares), can only be redeemed or bought by the company itself if certain procedures are followed.
- 6.50** Co-operative society and community benefit society rules have to specify whether shares are withdrawable. If they are, the rules must state how they can be withdrawn, and how an outstanding balance is to be paid to a member leaving the society.
- 6.51** The Act does not define withdrawable shares and the process of withdrawal is laid down in the society's rules. Most society rules give the board power to suspend all withdrawals of shares (and we encourage such provision). Others impose long notice periods for withdrawals. Some societies only allow withdrawal of shares at fixed times or after a certain period of holding the shares.
- 6.52** In our view, the withdrawal of shares should only be permitted under society rules if:
- 6.52.1 the society has trading surpluses that match or exceed the value of shares involved
 - 6.52.2 the directors believe that, taking account of all of the society's liabilities (including whether it will be able to pay its debts at the date of withdrawal and, for a year after that, any contingent or prospective liabilities), and the society's situation at the date of the transaction, that the society will be able to pay its debts at the date of withdrawal and for a year after that
- 6.53** Where a society board has power to suspend withdrawals of share capital, directors should monitor withdrawals, and consider suspending the power to withdraw if the society's financial position becomes uncertain. Directors may also consider whether there should be an annual limit to withdrawals, or a limit related to the amount of distributable profits.
- 6.54** In these situations, the question for the directors in exercising their powers properly and lawfully is what is necessary in the interests of the society.
- 6.55** If directors have power in society rules to convert transferable shares into withdrawable shares, they must not use the power if the society's financial stability will be at risk. They should also carefully consider the position of creditors.
- 6.56** Directors and employees should not use information gained from their position for any advantage e.g. by withdrawing their own shares in anticipation of insolvency. If directors become aware that the society is in financial difficulty, they should call a

board meeting and consider suspending withdrawals or sharing the information with all members.

- 6.57** For community benefit societies, payments of withdrawable share interest and capital are exempt from the 'asset lock' provisions described on page 17.
- 6.58** Societies issuing withdrawable share capital may wish to consider the appropriate guides to best practice, for example:
- Co-operatives UK's Code of Best Practice on Withdrawable Share Capital for consumer co-operatives, and
 - publications of the [Community Shares Unit](#)⁹

Transferable shares

- 6.59** The Act allows co-operatives and community benefit societies to have 'transferable shares'. However, transferability is subject to the consent of the committee.
- 6.60** Society rules must state whether any or all society shares are transferable, and provide for the form of transfer and registration of the shares, and the consent of the committee to transfer or registration.
- 6.61** Shares not labelled as 'withdrawable' in society rules cannot be redeemed or bought back by the society. They may, however, be converted into withdrawable shares where the rules allow that.
- 6.62** To protect creditors, society rules must not allow the conversion and withdrawal of transferable shares unless either:
- 6.62.1 the society has trading surpluses that match or exceed the value of the shares involved, or
 - 6.62.2 the directors believe, taking into account all of the society's liabilities (including any contingent or prospective liabilities), and the society's situation at the date of the transaction, that the society will be able to pay its debts at the date of withdrawal and for a year after that

Share transfers

- 6.63** Transfers of shares must follow society rules about transfers. This includes:
- a requirement for board or committee consent
 - registration of the transfer, and
 - rules about the form of the transfer

⁹ <http://communityshares.org.uk/>

- 6.64** A market in society shares allowing capital gains for members is inconsistent with registration as a co-operative or community benefit society. This is because it may encourage the society's members and officials to operate the business to achieve capital gains rather than to serve either the members or the community by providing goods or services. Society rules should make every share transfer, other than on the death or bankruptcy of a member, subject to committee consent as well as registration.
- 6.65** In addition, society rules should generally permit transfers only to other members or people who will become members on receiving the shares. If shares are transferred to non-members on the death of a member or in other exceptional circumstances, society rules should ensure that the control of a co-operative by its active members or the objective of a community benefit society is not prejudiced.
- 6.66** Transfers of shares should be disclosed in the annual return. If transfers involving more than 10% of the ordinary share capital have been made, confirmation is required that the board or committee considered the transfers and did not regard them as prejudicial to the interests of the society or to its commitment to the Co-operative Principles or to community benefit.

Society loan capital

- 6.67** The rights given to loan-stock holders or other lenders should not undermine the society's compliance with the registration requirements. The main areas of concern from this point of view are constitutional rights and financial rights.

Constitutional rights

- 6.68** A holder of loan stock is a debtor of the society, and so will not normally have any constitutional rights in the society. Sometimes, the loan stock or other instrument dealing with lending, gives the holder the right to appoint a member of the society's board or committee either from the beginning or if certain circumstances, such as financial difficulties, arise. This is acceptable so long as we are satisfied that the registration requirements for the co-operative or community benefit society continue to be met.

Financial rights

- 6.69** Loan securities are private contractual arrangements between the society and the holder of the security. There is nothing to prevent a society from issuing loan securities in accordance with its own rules.
- 6.70** The rate of interest needed to attract subscribers to the loan securities will depend on the risk of default as assessed by the lenders. The fact that societies can only offer a limited return on investment tends to mean societies avoid operating in high risk business. The registration requirements limit a society's ability to commit itself to pay interest.

6.71 In general, interest payments should be no greater than the interest payable on a normal commercial arm's-length transaction, and should not amount to a distribution of surplus or profit. On this basis, we would not normally expect interest on loan stock to be payable at a rate higher than the rate payable on funds borrowed from a bank.

Conversion of share or loan capital

6.72 A society may permit non-withdrawable shares to be converted into withdrawable shares with the agreement of the board of directors as long as any limit on holdings in the legislation or the society's rules is not breached. However, to protect creditors, society rules should not allow the conversion and withdrawal of shares unless either:

- the society has trading surpluses that match or exceed the value of the shares involved, or
- the directors believe, taking into account all of the society's liabilities (including any contingent or prospective liabilities) and the society's situation at the date of the transaction, that the society will be able to pay its debts at the date of withdrawal and for a year after that

6.73 Loan stock or other debt securities might be issued on the basis that they could later be converted into shares in the society. However, the rights attached to the shares on conversion would have to comply with the guidance on:

- one member one vote
- a limited return on capital, and
- any limit in the society's rules or the legislation on the value of a member's interest in the society's shares

6.74 It would also be important to consider the implications of any possible conversion of loan securities into withdrawable share capital on the society's liquidity position if withdrawals were then made.

Underwriting of share issues

6.75 A community benefit society that must raise a minimum amount of capital for a project to proceed may seek to arrange for a share offer to be underwritten by a third party. Underwriting has the potential to alter the financial position of individual members, partly because their shares will be subordinated to the holdings of the underwriter and partly because of the additional cost. If a society has arranged for the underwriting of its shares, this should be made clear in the offer document, along with the consequences to members of the terms and conditions attaching to the underwriting.

Role of directors

- 6.76** Directors, executives and employees are entrusted with control over the society's assets and should not use those assets for their own benefit. The ultimate duty is to act in the best interests of the society – even where a director has been appointed by a particular member or elected by a particular constituency.
- 6.77** Any conflict between the personal interests of a director and the society's interests must be dealt with in accordance with the society's rules and the law.
- 6.78** Directors should act prudently and lawfully, and comply with the society's rules. Their powers should be used for the purpose for which they were given.
- 6.79** Directors have a duty to bring to the role of director the skills that they have and the skills reasonably required to perform the role. This is determined by the definition of the role of director in the rules and governance arrangements of the society. A director performing a representative or non-executive role will not be expected to have the skills of an executive director. It is important that the powers and duties of directors and executives are made clear in the society's rules and governance arrangements.

Disqualification of directors

- 6.80** The Company Directors Disqualification Act 1986 ('CDDA') applies to society directors.¹⁰
- 6.81** That means that directors can be disqualified, either by court order or by binding legal undertaking, from serving as a director of, or otherwise managing, a society, company or other corporate body. This is in addition to the potential civil liability for breach of their duties, and possible prosecution for breaches of the Act's requirements.
- 6.82** The grounds for disqualification include:
- persistent breaches of the Act's requirements, e.g. by failing to submit annual returns to us
 - conviction of an offence in relation to the society
 - behaviour establishing unfitness in connection with the insolvency of a society, and
 - fraud

¹⁰ s22E, Company Director Disqualifications Act 1986

7 Society registration

Registration

Effect

7.1 A society registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') is a legal person independent of its members.

7.2 The main benefits of registration as a co-operative or community benefit society include the following:

7.2.1 Corporate body status

- The society is a legal person. It can act, sue and be sued, and hold property in its own name without the need for trustees.
- It also has 'perpetual succession' which means that a society continues to exist even if its membership changes unless its registration under the Act is ended.

7.2.2 Limited liability

- The personal liability of members is limited to the share capital they hold in the society and the amount of any unpaid share capital.
- Anyone dealing with a society can check that the society can meet its commitments by searching the public register maintained by us or by other means just as they would for a registered company.
- Debts, contracts and other liabilities taken on by the society are not the liabilities of its members.
- The officers of the society can be prosecuted if they breach their duties under the Act. If the society becomes insolvent they may be personally liable under the Insolvency Act 1986 or disqualified under Company Director Disqualification Act 1986.

7.2.3 Other effects of registration

- The rules are binding between a society and all its members.
- Contracts on behalf of the society can be made, varied or ended.
- Debts due to the society from members can be recovered in court.
- The society has a lien on a member's share for any debt due from the member and can set the value of a member's shares against their debt.

Requirements

7.3 We can register:

"A society for carrying on any industry, business or trade (including dealings of any kind with land) may be registered under this Act as—

(a) a co-operative society, or

(b) a community benefit society."¹¹

7.4 We set out our approach to defining co-operative societies and community benefit societies at pages 11 and 14 respectively.

7.5 The requirement to carry on an 'industry, trade or business' means that, generally speaking, a society that holds shares in another organisation without carrying on any activity of its own is unlikely to be able to be registered.

7.6 Every co-operative or community benefit society must also :

- have at least three members unless it consists of two registered societies
- have a proposed name that is not undesirable (see page 18)
- have its registered office in Great Britain or the Channel Islands

7.7 And its rules must contain the following :

7.7.1 The society's name.

7.7.2 The objects of the society.

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

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

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

7.7.6 The appointment and removal of a Committee of Management and of managers or other officers, and their respective powers and remuneration.

7.7.7 The maximum amount of interest in the shares of the society which may be held by any member otherwise than by virtue of Section 24 of the Act.

7.7.8 Whether the society may contract loans or receive monies 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.

¹¹ s2, the Act

- 7.7.9 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.
- 7.7.10 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.
- 7.7.11 Provision for the audit of accounts in accordance with Part 7 of the Act
- 7.7.12 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.
- 7.7.13 The way in which the society's profits are to be applied.
- 7.7.14 If the society is to have a common seal, provision for its custody and use.
- 7.7.15 Whether any part of the society's funds may be invested, and if so by what authority and in what way.

Application

- 7.8** To register a society, you can email [this application form](#)¹² along with one electronic copy of the signed rules to mutual.societies@fca.org.uk. You can also submit paper copies. When submitting paper copies, please ensure you include two signed copies of the rules.

Model rules

- 7.9** You can use model rules rather than drafting your own. There are organisations referred to as 'sponsoring bodies' that have produced their own model rules and will sponsor your application. A list of sponsoring bodies can be found [here](#).¹³
- 7.10** Generally speaking, it will take us less time to assess an application using model rules because we are already familiar with the rule structure and understand how the rules work. This reduces the cost of registration.

Costs

- 7.11** Applicants need to pay a fee before we can assess the application. The fees are:
- £40 if the society is using model rules with no changes
 - £120 if the society is using model rules with 1 to 6 changes
 - £350 if the society is using model rules with 7 to 10 changes
 - £950 if the society is using model rules with 11 or more changes
 - £950 if the society is not using model rules

¹² <http://www.fca.org.uk/your-fca/documents/forms/registering-a-new-industrial-and-provident-society-forms>

¹³ <http://www.fca.org.uk/your-fca/documents/forms/model-rules-sponsors-list>

Timing

- 7.12** We aim to assess 90% of complete applications within 15 working days. If your application form is incomplete e.g. missing signatures, this will inevitably cause delays as we will need to send it back to you.
- 7.13** If you have a specific deadline to meet, please ensure you submit your application in good time.

Confirmation

- 7.14** Once registered, the society will appear on the [Mutuals Public Register](#). We will also send you a sealed certificate confirming registration. This sealed certificate is conclusive proof of registration.

Conversion from a friendly society

- 7.15** This section should be read in conjunction with the preceding registration sections.
- 7.16** Societies registered under the Friendly Societies Act 1974 as working men's clubs, benevolent societies and specially authorised societies can convert to become registered societies.¹⁴ Registered friendly societies cannot convert.
- 7.17** The effect of conversion is that the society becomes a registered society under the Co-operative and Community Benefit Societies Act 2014 (the Act) and is therefore an incorporated legal entity. Its registration under the Friendly Societies Act 1974 is cancelled.
- 7.18** Upon registration under the Act, all property held immediately before that registration by any person in trust for the society or its branches becomes the property of the new registered society.
- 7.19** The new society continues to be entitled to all rights, and is subject to all liabilities, of the society previously registered under the Friendly Societies Act 1974.
- 7.20** Once registered under the Act, the trustees must, within 90 days of registration, deliver to the society's registered office the society's property and documents relating to the affairs of the society.

Application process

- 7.21** The proposal to register under the Act must be voted on by members of the society in the same manner and by the same procedure as would be applied for rule changes.
- 7.22** To convert to a registered society under the Act a [new registration form](#)¹⁵ must be completed. The applicant should select the 'converting to a friendly society' option.

¹⁴ s84A Friendly Societies Act 1974

7.23 Two copies of the rules for the new society, signed by the secretary of three members, must accompany the application.

7.24 The society must decide whether to apply to be a co-operative society or a community benefit society. Sections 4 and 5 of this document will assist the society in determine whether to apply to be a co-operative society or a community benefit society. As general guidance:

- **Working men's clubs** that benefit members, require membership to make use of facilities, or that would distribute money to members on distribution, should register as co-operative societies.
- **Benevolent societies** that do not require membership of the society to obtain its benefits, and do not distribute money to members on dissolution, may be able to register as community benefit societies. However, it is likely that some benevolent societies will more readily meet the criteria for registering as a co-operative society.
- **Specially authorised societies** are in most cases likely to more readily meet the criteria for registering a co-operative society.

7.25 There is no fee for converting to a registered society because the society is already paying a periodic fee to us.

Conversion from a company

7.26 This section should be read in conjunction with the preceding registration sections.

7.27 A company can convert to become a registered society.

7.28 The company must pass a special resolution. The resolution should:

7.28.1 be accompanied by a copy of the rules the society is to have

7.28.2 appoint members of the company to sign the rules

7.28.3 determine whether those signatories are either authorised to accept alterations to the rules proposed by us; or required to lay such alterations before a general meeting of the company for acceptance

7.28.4 deal with the position of members who hold shares in the company of a nominal value that exceeds that statutory limit on shareholding in a registered society.

¹⁵ <http://www.fca.org.uk/your-fca/documents/forms/registering-a-new-industrial-and-provident-society-forms>

Where the nominal value of the company shares held by any member is in excess of the statutory maximum shareholding in a registered society, the resolution can provide for the conversions of the excess shares into transferable loan stock in the registered society. The interest rate and repayment terms should be set by the resolution.

- 7.29** If we are satisfied with the resolution and rules, we will issue an acknowledgement of registration and a certificate confirming the rules have been registered.
- 7.30** A copy of the resolution and our registration certificate will be sent to Companies House. The conversion takes effect once Companies House has registered this resolution and certificate.
- 7.31** Once Companies House has registered the resolution and certificate, the company's registration as a company becomes void and will be cancelled by Companies House.

8 Society Obligations

Summary

- 8.1** Once registered a society is obliged to:
- continue to meet the conditions for registration
 - have at least three members (or two registered societies)
 - maintain a registered office, notifying us of any change
 - maintain a register of members
 - maintain accounts
 - submit an annual return and accounts to us within 7 months of their financial year end
 - notify us of any change to the financial year-end date
 - register any rule changes with us
 - pay an annual fee to us

Accounting requirements

- 8.2** Societies must keep proper books of account giving a true and fair view of the state of the society's affairs and explaining its transactions. Societies are also required to maintain satisfactory systems of control of their books, cash holdings and receipts, and payments.
- 8.3** Accounts produced must be to at least the minimum standards required by the legislation and their own rules. That is a revenue account dealing with the affairs of the society as a whole, or two or more revenue accounts covering the whole year that deal separately with different businesses of the society. These, together with any balance sheet, must give a true and fair view of the income and expenditure of the society and of its affairs at the date of the balance sheet.
- 8.4** The principles set out in the Financial Reporting Standards published by the Financial Reporting Council¹⁶ are generally relevant (but see also 'Group Accounts' at 8.10). Some societies are affiliated to sponsoring bodies or are regulated by other organisations which may issue accounting requirements more rigorous than those described above. These should be complied with as long as there is no conflict with, or shortfall from the Act.

¹⁶ <https://www.frc.org.uk>

Publication and display

- 8.5** Every society must display its latest balance sheet in a conspicuous position at its registered office.
- 8.6** In addition, a society must give a copy of its latest annual return, including the accounts and auditor's report, free of charge to any member or other person interested in its funds who asks for it. With the member's agreement, that can be done through the society's website.
- 8.7** As a general rule, every published revenue account or balance sheet must be signed by the secretary and two members of the society committee and have been audited or subject to an accountant's report incorporated in the account or balance sheet. We deal with this in more detail under 'Audit requirements' at 8.18.
- 8.8** A society may publish an unaudited interim revenue account or balance sheet if it is published with the latest audited year-end revenue account or balance sheet and is marked in clearly and prominently with the words 'UNAUDITED REVENUE ACCOUNT' or, as the case may be, 'UNAUDITED BALANCE SHEET'.
- 8.9** An annual return and accounts must be submitted to us within seven months of the society's financial year-end. Annual return forms can be found [here](#).¹⁷

Group accounts

- 8.10** Societies with one or more subsidiaries at the end of a year of account must produce audited group accounts for that year. They must give a true and fair view of the income, expenditure and state of affairs of the society and its subsidiaries. You must submit the group accounts to us with the auditor's report in your annual return.
- 8.11** The group information (for the society and its subsidiaries) can be presented alongside the society figures in one set of accounts or separately in a further account.
- 8.12** If a society that has to submit group accounts excludes that information from its Annual Return, the documents will be sent back to be completed fully.
- 8.13** A parent society is exempt from the group accounts requirement if it is a wholly owned subsidiary of another corporate body.
- 8.14** Group accounts need not deal with a particular subsidiary if we approve the parent society committee's opinion that to do so:
- is impracticable, or would be of no real value to the society's members, in view of the insignificant amounts involved, or

¹⁷ <http://www.fca.org.uk/your-fca/documents/forms/annual-return-ar30-industrial-and-provident-societies-act-1965-forms>

- would involve expense or delay out of proportion to the value to those members, or
- give a result that would be misleading, or harmful to the business of the society or any of its subsidiaries, or
- is inappropriate because the business of the society and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking

8.15 The parent society needs to contact us setting out its opinion as to which reason(s) applies.

8.16 If one or more of those reasons cover all the subsidiaries, no group accounts need be filed at all. An exemption, once granted by us, can be continued in later years for the subsidiaries it covers without further application to us if the auditors certify their agreement that the committee's opinion and the grounds for it have continued throughout the later year.

8.17 The Financial Reporting Council has published Financial Reporting Standard Number 2 (FRS2) Accounting for Subsidiary Undertakings. Paragraphs 25 and 26 refer to the exclusion of subsidiary undertakings from the consolidated financial statement. Please note that these paragraphs in FRS2 do not override the provisions of the Act. Paragraphs 19 and 61 of FRS 2 state that the FRS requirements should be complied with except where they are contrary to any statutory framework under which the undertakings report.

Audit requirements

8.18 The starting point is that every society is required to appoint one or more qualified auditors in each year of account, to audit its accounts and balance sheet for that year.

8.19 Societies can then either be exempt or disapply the requirements. We deal with exemption and disapplication below.

The audit

8.20 The auditors must report to the society on whether the year's revenue account and balance sheet, and any other accounts they examine, give a true and fair view of the society's affairs, otherwise comply with the legislation, and are in agreement with the books of account for the year. Auditors also give their opinion on whether proper books of account and control systems have been maintained.

8.21 To prepare the report, the auditors have the power to carry out any necessary investigation, access the society's books and other documents at any time, and to demand information and explanations from the society's officers. They can also attend and be heard at society general meetings and must be given all communications about the meeting that members receive.

The Auditor

- 8.22** The term 'qualified auditor' means someone eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006. They must be a member of a recognised supervisory body (which includes the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants) and eligible for appointment under the rules of that body.
- 8.23** The auditor must not be an employee or officer of the society or its holding or subsidiary society or an employee, employer or partner of a society employee or officer. They must not be prohibited under the Companies Act 2006 from being auditor of a subsidiary company of the society for such a lack of independence.
- 8.24** Auditors are appointed and removed by the members' meeting. However, no annual resolution is required to reappoint the same auditor from one year to the next. The removal or replacement of the existing auditor requires a resolution of which 28 days' notice is given to the members and the auditor. The auditor can make oral and written representations to the meeting considering the resolution.

Small Society Exemption

- 8.25** A society may appoint two or more lay auditors instead of a qualified auditor if, in its preceding year of account, it had:
- turnover of less than £5000, **and**
 - assets of less than £5000, **and**
 - fewer than 500 members
- 8.26** However if the society's rules only permit a full professional audit, appropriate rule amendments must be registered with us before the small society exemption can be used.
- 8.27** The following societies can never use the small society 'lay audit' exemption:
- Housing Associations registered with the Homes and Communities Agency, Welsh Ministers or the Scottish Housing Regulator
 - a subsidiary of another society
 - a society with one or more subsidiaries (whether companies or societies)
 - a society that has to prepare accounts under the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993
- 8.28** Anyone can be a lay auditor providing they are not an officer or employee of a society and are not a partner, or an employee or employer of, any society officer or employee.
- 8.29** Societies use lay auditors so that people other than committee members check the accounts against the books.

Disapplication

8.30 If a society does not qualify for the small society exemption, it may otherwise be able to disapply the qualified auditor requirement if certain conditions are met.

8.31 These conditions are that the society is:

- not in a category required to have a full audit
- not required by its rules to have a full audit
- below certain financial thresholds, and
- one whose members pass a resolution disapplying the audit requirement by the necessary majority

Thresholds

8.32 The thresholds referred to above are:

Non-charity	Charity
<ul style="list-style-type: none"> • value of assets in aggregate at the end of the previous year of account less than £2.8m, and • turnover for the previous year less than £5.6m 	<ul style="list-style-type: none"> • value of assets in aggregate at the end of the previous year of account less than £2.8m, and • turnover for the previous year less than £250,000

Disapplication Resolution

8.33 A qualified auditor disapplication resolution must be passed at a general meeting where:

- less than 20% of the votes cast are against the resolution, and
- less than 10% of all members entitled to vote cast a vote against it

8.34 If the resolution is not passed, the society must have a full professional audit.

8.35 The resolution only operates for one year of account. A resolution must be passed in each year of account that a society wishes to opt out of the full audit requirement. For instance, if a society's financial year-end is 31 December, it must pass the disapplication resolution before 31 December to disapply the qualified auditor requirement.

Society rules

8.36 The society's rules must allow disapplication from appointing a qualified auditor. If the rules only permit a full professional audit, then the rule amendments must first be passed and registered with us.

Society rules on accounts and audit

8.37 A rule change may be necessary where a society currently requires a professional auditor to audit its accounts and it wishes to disapply the qualified auditor requirement or to use the small society exemption. For example, a rule that states '...and the audit will be carried out by a registered auditor' ties the society to the appointment of a registered auditor.

8.38 The small society exemption and disapplication provisions do not override society rules. The society will need to amend its audit rule to take advantage of the relaxed auditing requirements. A rule change to state, for example:

'... and an audit, where necessary in law, or where the membership requires, will be carried out by a registered auditor or two or more lay auditors, where the condition for appointing lay auditors prevail'

would enable the society to take advantage of the relaxed auditing requirements.

8.39 Each case will be assessed on its merits; however, generally speaking, a rule change that does not provide for a situation where an audit may be required by law or by the members is unlikely to satisfy us that it is not contrary to the provisions in the Act. For example '...the accounts will be examined by an independent accountant' would not be registered. We would encourage you to either use the example given above or to follow the wording below:

'The members shall vote annually, as allowed by section 84 of the Co-operative and Community Benefit Societies Act 2014, at the Annual General Meeting, to have, when necessary in law or where the membership requires:

- **an audit carried out by a qualified auditor**
- **an audit carried out by two or more lay auditors**
- **a report by a qualified auditor**
- **or unaudited accounts, where the conditions for such exist.**

If a full audit or a report is required, a person who is a qualified auditor under section 91 of the Co-operative and Community Benefit Societies Act 2014, shall be appointed. The qualified or lay auditors, if so appointed, shall not be officers or servants of the society and nor shall they be partners of, or in the employment of, or employ, an officer or servant of the society. Lay auditors shall be chosen by the Committee of Management from the general membership and/or others.

If the membership vote for unaudited accounts, the society's income/expenditure ledger shall be scrutinised by the secretary and committee members only and signed, as a true record, by the secretary and two committee members or any other number as may be required by legislation. An income/expenditure report will be prepared to present to the society's members at each Annual General Meeting"

The Report

- 8.40** Societies that have chosen to disapply the requirement for a full audit from a qualified auditor must, if their turnover was greater than £90,000 in the year of account, appoint a qualified auditor to prepare a report on the accounts and balance sheet.
- 8.41** The accountant's report is less onerous than a qualified auditor's report. It must state whether, in the opinion of the qualified auditor making the report:
- the revenue account or accounts, the other accounts (if any) to which the report relates, and the balance sheet are in agreement with the books of account kept by the society
 - on the basis of the information contained in the books of account, the statutory account complies with the requirements of the Act, and
 - the financial criteria allowing the production of a report instead of a full audit have been met
- 8.42** Where the relevant conditions are met, and the society produces unaudited accounts, the revenue account and balance sheet must still be signed by the secretary and two committee members of the society acting on behalf of the society's committee.
- 8.43** The accountant preparing the report has similar powers to those of an auditor to carry out any necessary investigation, to access the society's books and other documents at any time, and to demand information and explanations from the society's officers. They are also entitled to attend and be heard at society general meetings and to receive all communications about the meeting that members receive.

Societies needing full professional audit

- 8.44** A full professional audit is always required for a society that had a turnover in excess of £5.6m (£250,000 if charitable) or total assets in excess of £2.8m in the preceding year of account.
- 8.45** Any society that is, or at any time during the accounting period was, one of the following, cannot disapply the audit requirement
- a Scottish registered social landlord
 - a subsidiary of another society
 - a society with one or more subsidiaries (whether those subsidiaries are companies or societies)

- a society that must prepare accounts under the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993
- a society which takes deposits requiring Prudential Regulation Authority (PRA) regulation under the Financial Services and Markets Act 2000 (excluding deposits in the form of withdrawable share capital)

Charges

- 8.46** When a society wishes to use some of its assets as security, usually for a loan, it does so by agreeing to a document that creates a 'charge', or mortgage, over those assets.
- 8.47** For the charge to be fully effective and to give appropriate priority to the lender or other party in whose favour it operates, it must be recorded with us.
- 8.48** The process of recording the charge with us can be carried out either by the society or by the lender who is given security over the society's assets. This is to be done using forms or other documents completed by the society.

Recording the charge

- 8.49** To record a charge you must send the following information:
- a copy of the charge document certified as true under an original signature
 - a completed form giving:
 - the society's registration number and full name, and details of the charge and the parties to it, and
 - signed by the society secretary, a solicitor acting for the society, or another person interested in the charge (e.g. the lender) acting for the society
- 8.50** This information must be sent to us within 21 days (including the date it was signed) of the date of signing the charge document.
- 8.51** Do not send redacted copies of charges. We will not accept redacted copies.
- 8.52** We will confirm we have recorded the charge, and place a copy of it on the public register.

Late registrations of charges

- 8.53** If the application is:
- late or
 - incomplete because of omissions or errors

“by reason of inadvertence or other sufficient cause”¹⁸, we have power to extend the period for recording, or to give you a chance to correct the omission or error.

8.54 To decide whether we can extend the registration period we need to know the reasons for the late application. You must state on the form why the application was submitted late. Writing 'it was submitted late' is not enough and we will ask you to give more detailed reasons. Even if the application is correct but you submit it outside the 21 day limit, we will return it unless you give satisfactory reasons.

8.55 If we extend the registration period, any charges registered within 21 days of being created and before registration of the one relying on our extension are likely to gain priority over the one registered later. In such circumstances you may wish to take legal advice.

Releasing, discharging and dealing with registered charges

8.56 When a charge over society assets is released, discharged or subject to any other transaction, you must complete a form to notify us so that we can include that information on the public register.

8.57 To release a charge send to us:

- the appropriate form for your society depending on whether it is registered in Scotland or England and Wales
 - signed by the society secretary, confirming the date that the charge was released or wholly or partially satisfied, and
 - containing the address or other identifying details of the property no longer charged if it is released or wholly satisfied; or, if the charge is only partially satisfied, the amount by which it is partially satisfied; and
- a sworn statutory declaration by the society secretary and one committee member (or director) that the information entered on the form about the charge are true to the best of their knowledge, information and belief.
- Copies of the original acknowledgement of the registration of the charge and the first page of the charge being released.

¹⁸ s60 and 63 the Act

9 Legal processes

9.1 This part of the guidance document runs through the post-registration legal processes that a society may engage.

- change of registered office
- change of name
- change of financial year end
- rule amendments
- transfers of engagement
- amalgamations
- arrangements and reconstructions
- conversions
- creditors voluntary arrangements
- administration
- winding up
- dissolution
- cancellation of registration

Change of registered office

9.2 Societies are required to have a registered office address in Great Britain or the Channel Islands.

9.3 Societies provide us with their registered office address at the point of registration. The society must notify us as soon as possible whenever a registered office address changes

9.4 We will only post communications to the registered office address, including any legal notice. Therefore it is vital you notify us of a change.

9.5 Use [this form](#)¹⁹ to notify us of a change of address.

¹⁹ <http://www.fca.org.uk/your-fca/documents/forms/change-of-registered-office-forms>

Change of name

- 9.6** The name of a society remains the same unless we register a change. To change its name, a society must pass a resolution at a general meeting with the appropriate notice.
- 9.7** If the resolution is passed, our [name change form](#)²⁰ should be completed and returned to us. The name change is not effective until we have registered it.
- 9.8** Part 6 sets out our approach to names.
- 9.9** The name you wish to register must be available. You can see whether a name is available by checking [Companies House](#), the [Charity Commission](#), and the [Mutuals Public Register](#).
- 9.10** You should also check whether the name you want to use includes any words that require permission or approval for use. See Annex 2 for more information.
- 9.11** We do not need to be notified of trading names or changes to trading names. However if you are applying to use a sensitive word that requires FCA approval e.g. 'bank', then you must [seek that approval](#).²¹

Change of financial year end date

- 9.12** When a new society is registered, it can pick its own financial year-end date. Societies are also able to change their financial year-end date. There are a few requirements:
- The period the financial year covers cannot be shorter than six months or longer than 18 months.
 - Notification of an extension to a financial year cannot be given if the society has already extended its financial year any time within the last five years.
- 9.13** Societies must notify us of a change to their financial year-end. We will check the notice to make sure it is legally compliant, and confirm to the society that it can change its financial year-end.
- 9.14** A society can only change its financial year-end within that financial year. For instance, if a society's financial year ends on 31 March and they want to extend it to 30 April, we must confirm the notification of the year end extension before 31 March. It cannot be done retrospectively.

Rule amendments

- 9.15** Our approach to rule amendment is set out in Part 6 of this document. The information here deals with the process to be followed. Rule amendments must be registered with

²⁰ <http://www.fca.org.uk/your-fca/documents/forms/change-of-name-form>

²¹ <http://www.fca.org.uk/firms/being-regulated/sensitive-names>

us. A society can only start using the new rule if the rule has been registered. We will confirm registration of rule amendments.

- 9.16** Rule changes are effective from the date we register them. Registration of rule amendments cannot happen retrospectively.
- 9.17** The rule changes should be sent to us. Amendments can be complete or partial. In a complete amendment, a whole new set of rules is registered in place of the existing rules. Partial amendments change, add to, or delete some rules from the existing registered rules. For a complete amendment, we need two copies of the new rule book.
- 9.18** For a partial amendment of rules, you must attach two printed copies of the amendment of rules each signed by three members and the secretary of the society, as well as a printed copy of the existing set of rules marked to show where the amendments fit and what they are. It is best to word partial amendments as directions to a member, telling them exactly what they should do to make the necessary changes in their own copy of the rule book.
- 9.19** The amendments should be arranged in the numerical order of the rules affected. Rules should only be re-numbered on a complete amendment of rules. Where many amendments of a rule are proposed, or the rule has already been amended many times, it is generally best to rescind the whole rule and substitute a new one. Where the change is simple, an amendment of the part affected may be enough.
- 9.20** No rule amendment can bind a member to take, or subscribe for, more shares than he or she held at the date of registration of that amendment or otherwise increase a member's liability to contribute to the share or loan capital of the society without the member's written consent to the amendment.
- 9.21** We will assess the rule amendments to determine whether they are contrary to the legislation. We will also look to whether the rule amendment was made following adequate procedures e.g. if the society's rules require a two-thirds vote in favour of a rule change, we will want to know whether that vote in favour was achieved.

Transfers of engagement

- 9.22** A registered society can pass a special resolution to transfer its engagements to any other registered society or company that agrees to fulfil them. The resolution can also transfer all or part of the society's property to the society or company receiving the engagements without any other legal process such as a conveyance. The transfer of engagements does not prejudice any right of a creditor of either of the societies involved.
- 9.23** After a transfer of engagements the transferring society still exists but if it has transferred both its engagements and all its property, application is usually made to cancel its registration. The society can be dissolved only after a certificate under section

126 of the Act has been filed with us, confirming that all the society's property has been transferred to those entitled to it.

Special resolution

- 9.24** The wording of the resolution must refer to the position of the members of the transferring society and their stake in the society once transferred. Here is specimen wording for this:

'This meeting of members of the [enter name of transferring society] hereby resolves to transfer the whole of the stock, property and other assets and all engagements of the society to the [enter name of accepting society] in consideration of the [enter name of accepting society] issuing to each member of the [enter name of transferring society] paid up shares equal to the amount standing to the credit of each member in the share ledgers of the [enter name of transferring society] on the date when the transfer of engagements becomes effective.'

- 9.25** If you envisage a date for the resolution to take effect, it will have to be registered on or before that date. The resolution should usually avoid naming that date because we cannot guarantee we will register it in time.
- 9.26** The special resolution for transferring engagements **between societies** must be passed:
- 9.26.1 at a first general meeting by:
- two thirds of the members actually voting on the resolution, whether in person or by proxy. Notice of the meeting must have specified the intention to propose the resolution.
- 9.26.2 at a second general meeting:
- by over half of the members who actually vote in person or by proxy at that meeting
 - held between 14 days and one month from the first meeting
- 9.27** The special resolution for transferring engagements from a **society to a company** must be passed:
- 9.27.1 at a first general meeting by:
- 75% of the members actually voting on the resolution, whether in person or by proxy. Notice of the meeting must have specified the intention to propose the resolution,
 - with at least 50% of all members entitled to vote at the meeting in person or by proxy casting their vote.
- 9.27.2 at a second general meeting:
- by over half of the members who actually vote in person or by proxy at that meeting

- 9.28** A declaration by the chair of either meeting that the resolution has been carried is conclusive evidence of that fact.
- 9.29** Within 14 days from the day the special resolution is confirmed at the second meeting, a copy signed by the second meeting chair and countersigned by the society secretary must be sent to us for registration.
- 9.30** The resolution only takes effect when we register it.
- 9.31** The accepting society or company must also confirm that it undertakes to fulfil the engagements being transferred. The accepting society or company will need to pass a resolution to do that. The resolution should be made no later than the date that the confirming resolution is passed by the transferring society. Exactly how this is done depends on what is said in the rules of the accepting society or articles of the accepting company.
- 9.32** If the rules of the accepting society or articles of the accepting company provide that its committee (or board) have the power to accept engagements by passing a committee (or board) resolution, then the resolution should be passed by its committee (or board). Some society rules may require that this be done by the members' meeting.

Registering the transfer

- 9.33** To register a transfer of engagements we need:
- Two clean copies of the resolution containing only the wording of the resolution as approved by the members. Each copy must be headed with the name and registration number of the society, and signed by the society secretary and the chair of the second meeting that approved the resolution.
 - Two signed copies of a resolution of the accepting society's or company's board or general meeting (depending on which is responsible under its rules) confirming that it undertakes to fulfil the engagements.
 - [Transfer form](#)²² signed by the secretary of each society/company.
 - Confirmation by statutory declaration that the resolutions were passed in line with legislative requirements and society rules.
 - For any society registered with the Homes and Communities Agency, the Scottish Housing Regulator or Welsh Ministers, a copy of any consent needed for the transfer of engagements.
- 9.34** If your application is complete and meets all applicable statutory requirements, we will register the special resolution and send you a formal acknowledgement of its registration.
- 9.35** We will also send a final form with the acknowledgement of registration. You must complete and return this to us once all the engagements and property have been transferred to the accepting society or company.

²² <http://www.fca.org.uk/your-fca/documents/forms/transfer-of-engagements-form>

- 9.36** Once that is received, the registration of the transferring society will be cancelled and we will issue a certificate confirming this.

Amalgamations

- 9.37** Two or more registered societies, or a society and a company, may amalgamate and become one society. The amalgamation can, but need not, involve the dissolution of one or more of the societies or companies first or a division of funds among members. On the amalgamation, the property of each society or company vests in the new amalgamated society without needing any form of conveyance or ownership transfer other than the special resolution that carried out the amalgamation.
- 9.38** The amalgamation does not prejudice any right of a creditor of any of the societies or companies so they have the same claim against the new amalgamated society as they had against the amalgamating societies or companies.
- 9.39** The amalgamation of two societies or a society and a company results in the new body replacing the two that chose to amalgamate, once the amalgamation resolutions of all the societies become effective on registration. Only the amalgamated society continues to exist.

Special resolution

- 9.40** Amalgamation requires each of the amalgamating societies to pass a special resolution. The special resolution for **amalgamating societies** must be passed:

9.40.1 at a first general meeting by:

- two-thirds of the members actually voting on the resolution, whether in person or by proxy. Notice of the meeting must have specified the intention to propose the resolution

9.40.2 at a second general meeting:

- by over half of the members who actually vote in person or by proxy at that meeting
- held between 14 days and one month from the first meeting

- 9.41** The special resolution for amalgamating with a **company** must be passed:

9.41.1 at a first general meeting by:

- 75% of the members actually voting on the resolution, whether in person or by proxy. Notice of the meeting must have specified the intention to propose the resolution.
- with at least 50% of all members entitled to vote at the meeting in person or by proxy casting their vote

9.41.2 at a second general meeting:

- by over half of the members who actually vote in person or by proxy at that meeting

9.42 A declaration by the chair of either meeting that the resolution has been carried is conclusive evidence of that fact.

9.43 Within 14 days from the day the special resolution is confirmed at the second meeting, a copy signed by the second meeting chair and countersigned by the society secretary must be sent to us for registration.

9.44 The resolution only takes effect when we register it.

Registration of amalgamation

9.45 To register the amalgamation we need:

- Two clean copies of the resolution containing only the wording of the resolution as approved by the members. Each copy must be headed with the name and registration number of the society/company, and signed by the society/company secretary and the chair of the second meeting that approved the resolution.
- [Forms](#)²³ signed by the secretary of each society/company
- Confirmation by statutory declaration that the resolutions were passed in line with legislative requirements and society rules
- For any society registered with the Homes and Communities Agency, the Scottish Housing Regulator or Welsh Ministers, a copy of any consent needed for the transfer of engagements to proceed.

9.46 If your application is complete and in order, we will register the special resolution and send you a formal acknowledgement of its registration.

9.47 We will also register the new society, sending a certificate of registration of a new society.

Arrangements and reconstructions

9.48 Some societies can use the procedures in Part 26 of the Companies Act 2006 for compromises or arrangements with their members or creditors, or particular classes of them.²⁴ The Part 26 procedure cannot be used by a registered provider of social housing or a registered social landlord.

9.49 References in Part 26 to company directors refer to society committee members and references to company articles are read as references to society rules.

9.50 The procedure involves court orders to convene meetings of relevant classes of creditors and members to vote on the proposed Scheme after the information required

²³ <http://www.fca.org.uk/firms/firm-types/mutual-societies/industrial>

²⁴ The Co-operative and Community Benefit Societies and Credit Unions (Arrangements, Reconstructions and Administration) Order 2014 SI 2014/229 applies Part 26 with some modifications

by Part 26 has been circulated to them. If the Scheme is approved at those meetings by appropriate majorities, it is only binding after a further court order.

- 9.51** In its application to society members, the reference to a majority of 75% in value of members or a class of members in Part 26 is read as simply 75% of members (i.e. one-member-one-vote). The value of their stake is not taken into account. However, for creditors, a majority by value is required in the case of a society, as it is for a company.²⁵
- 9.52** Before a court can make an order to sanction an arrangement or compromise involving the reconstruction of a society, or its amalgamation with another society or a company, we must state that we are satisfied that it is not contrary to the Act.
- 9.53** We are concerned that the nature of the society as a co-operative or community benefit society has not been prejudiced by the proposed compromise or arrangement. For this reason, **it is important to involve us from the very beginning of the process of considering the use of Part 26 for a society.**
- 9.54** A copy of any order made under these provisions must be delivered to us for registration within seven days of it being made together with a copy of the society's rules, if they have been amended by the order.
- 9.55** The order is not effective until it is registered with us.²⁶

Conversions

- 9.56** Societies can pass a resolution to convert into a company. Societies can convert into companies limited by shares or companies limited by guarantee. Currently societies cannot convert to a Charitable Incorporated Organisation or a Community Interest Company. But a society can convert to a Scottish Charitable Incorporated Organisation.
- 9.57** If a society converts itself into a company, it will no longer be registered under the Act.

Special resolution

- 9.58** The wording of the resolution will depend on the society's circumstances e.g. value of share capital. The wording of the resolution should cover the following points:
- the society shall be converted into a company incorporated under the Companies Act 2006 by shares/guarantee
 - name of the company
 - registered office of the company will be situated in [England]
 - objects for which the company is established
 - liability of members
 - share capital (if any) of the company

²⁵ s889 Companies Act 2006 (as modified by SI 2014/229)

²⁶ Ibid

- that the memorandum and articles attached to the resolution, signed for identification by the chair of the meeting, shall be the memorandum and articles of association of the company

9.59 The special resolution must be passed:

9.59.1 at a first general meeting by:

- 75% of the members actually voting on the resolution, whether in person or by proxy. Notice of the meeting must have specified the intention to propose the resolution
- with at least 50% of all members entitled to vote at the meeting in person or by proxy casting their vote

9.59.2 at a second general meeting:

- by over half of the members who actually vote in person or by proxy at that meeting

9.60 A declaration by the chair of either meeting that the resolution has been carried is conclusive evidence of that fact.

9.61 Within 14 days from the day the special resolution is confirmed at the second meeting, a copy signed by the second meeting chair and countersigned by the society secretary must be sent to us for registration.

Registration of the conversion

9.62 Before applying to register the special resolution, societies need to contact Companies House to apply for a company to be set up on conversion from a society. It is important you tell Companies House not to register the company until we have agreed a date with them. Societies cannot convert into an existing company.

9.63 We will contact Companies House to agree a conversion date once we have received your application.

9.64 To register a conversion we will need:

- three copies of the special resolution. Each copy must be headed with the name and registration number of the society, and signed by the society secretary and the chair of the second meeting that approved the resolution
- a copy of the proposed memorandum and articles for the company
- confirmation that you have applied to Companies House to register a company but that you have told them the application is coming from a converting society
- [Conversion form](#)²⁷, signed by the secretary
- Confirmation by statutory declaration that the resolution was passed in line with legislative requirements and society rules

²⁷ <http://www.fca.org.uk/your-fca/documents/forms/application-for-the-conversion-of-a-society-into-a-company-form>

- for any society registered with the Homes and Communities Agency, the Scottish Housing Regulator or Welsh Ministers a copy of any consent needed for the transfer of engagements to proceed

9.65 If your application is complete and in order, we will send you a formal acknowledgement of registration of the special resolution. Following that, we will send you confirmation of the cancellation of the society.

9.66 Companies House will send you information relating to the company registration.

Creditors' voluntary arrangements

9.67 Creditors' voluntary arrangements (CVAs) are available to societies as they are to companies.

9.68 References to the registrar of companies should be read as a reference to the Financial Conduct Authority, in our role as registering authority for mutual societies.²⁸

9.69 The power and role of the qualified insolvency practitioner appointed as a nominee under a voluntary arrangement, and the procedures followed during those processes, are governed by the Insolvency Act 1986 as applied by the Co-operative and Community Benefit Society (Arrangements, Reconstructions and Administration) Order 2014, SI 2014/229.

9.70 Societies should take appropriate professional advice if considering the use of this procedure.

Administration

9.71 Administration is available for registered societies in a similar manner to that for companies. It does not apply to registered providers of social housing, or registered social landlords.

9.72 For societies in England and Wales, any charges registered after 6 April 2014 will be subject to administration rather than administrative receivership. Instead an administrator can be appointed if the conditions for receivership under the charge exist and the lender chooses to exercise their power.

9.73 The power and role of the qualified insolvency practitioner appointed as an administrator, and the procedures followed during those processes, are governed by the Insolvency Act 1986 as applied by The Co-operative and Community Benefit Society (Arrangements, Reconstructions and Administration) Order 2014, SI 2014/229.

9.74 Societies should take appropriate professional advice if considering the use of this procedure.

²⁸ Co-operative and Community Benefit Society (Arrangements, Reconstructions and Administration) Order 2014, SI 2014/229.

Winding up

9.75 The winding up provisions of the Insolvency Act 1986 apply to societies. A society can be wound up by a:

9.75.1 members' voluntary winding up by members' resolution if it is solvent

9.75.2 creditors' voluntary winding up by members' resolution with creditor involvement if it is insolvent

9.75.3 court winding up order at the petition of the society itself, a creditor, or member.

9.76 These procedures are governed by Part IV of the Insolvency Act 1986 as applied and modified by the Act.

9.77 A special resolution is required to pass a winding up resolution. The special resolution is one in accordance with the requirements in the Companies Act 2006²⁹. It is not a special resolution as per the Act.

9.78 A special resolution under the Companies Act 2006 requires³⁰:

- only one meeting, called with 14 days' notice
- the text of the resolution and intention to propose to appear in the notice
- a majority of 75% of members voting and entitled to vote

9.79 For registered societies we have the same function Companies House has for companies. The resolution must be sent to us within 15 days of being passed. The liquidator must give us notice of their appointment within 14 days.

9.80 If a society is wound up by the court the society must immediately send us a copy of the court order.³¹

9.81 Where winding up is not completed within one year of starting, a liquidator must send us periodic progress reports. These reports are of the kind submitted to Companies House in a winding up.³²

9.82 At the end of the winding up process, once the liquidator has submitted to us a s126 certificate, the society will be dissolved and its registration will be cancelled.

Dissolution

9.83 Societies can be dissolved either by:

- an instrument of dissolution, or
- at the end of an insolvency procedure – such as winding up or administration

²⁹ s84 Insolvency Act 1986

³⁰ ss283 & 307 Companies Act 2006

³¹ s130 Insolvency Act 1986

³² s192 Insolvency Act 1986

Instrument of dissolution

9.84 Societies can dissolve by an instrument of dissolution. The instrument needs to be drafted and then approved by either:

- three-quarters of all the society's members signing the instrument to show their consent to it; or
- for a dormant society, passing the instrument by a special resolution at society meetings

9.85 The instrument must set out:

- the society's assets and liabilities in detail
- the number of members and the nature of their interests in the society
- any creditors' claims, and the provision to be made for their payment
- the intended appropriation or division of the society's funds and property (unless the instrument states that this is to be left to the award of the FCA or PRA)

9.86 Any changes to an instrument must be approved in the same way as the original instrument.

9.87 We have provided a [form](#)³³ for societies to use. Societies must also complete a statutory declaration, and send in the final annual return and accounts.

9.88 Once we have this information, we will register the instrument of dissolution. The instrument is then binding on members and cannot be changed.

9.89 We advertise a notice of the dissolution in the [London or Edinburgh Gazette](#)³⁴ and a newspaper local to the society.

9.90 From the point of the Gazette advert appearing people have up to three months to challenge the dissolution. The challenge can be made by any society member, creditor, or anyone with an interest in the society's funds.

9.91 The resolution would need to be challenged in the courts (County Court in England and Wales, and Sheriff Court in Scotland). Anyone issuing proceedings must notify us within seven days of them starting – and before the expiry of the three month deadline.

9.92 If any challenge is successful, the dissolution will be set aside. The registration of the society would then continue. Therefore it is important societies do not distribute assets until the three month window for challenge has expired.

9.93 After three months, the society can distribute its assets in the manner set out in the instrument. The assets will be distributed as the instrument lays down.

9.94 Once this has been done, the society should send a [section 126 certificate](#)³⁵ confirming that all property vested in the society has been conveyed or transferred to those

³³ <http://www.fca.org.uk/your-fca/documents/forms/instrument-of-dissolution-for-an-industrial-and-provident-society-form>

³⁴ <https://www.thegazette.co.uk/>

³⁵ <http://www.fca.org.uk/your-fca/documents/forms/certificate-under-section-59-industrial-and-provident-societies-act-1965-form>

entitled to receive it. A society cannot be dissolved until we have received this certificate.

- 9.95** If your society will have difficulty following this procedure, it may want to take professional advice. The advice might conclude that the society should go into voluntary liquidation.
- 9.96** Alternatively, a society with no liabilities or with minimal assets (less than £1,000) could ask us to cancel its registration.

Dissolution after winding up

- 9.97** Societies can be dissolved after winding up. The winding up procedures in the Insolvency Act 1986 apply to societies, with references to the 'registrar of companies' to be read as references to the FCA.
- 9.98** The rights of members and the destination of any surplus is decided in accordance with the society's rules. Those provisions will be followed by any court called upon the deal with the issue. In the absence of any such provision, it is likely that a court will decide that any surplus should be paid to the members according to their entitlements, which is likely to be based on their rights and interests in the society.³⁶
- 9.99** In a voluntary winding up, the liquidator will file a final account and return. In winding up by the court, the liquidator will file a notice of holding a final meeting. This triggers the start of a three month time period. A s126 certificate confirming that all property vested in the society has been conveyed or transferred to those entitled to receive it must be filed to complete the dissolution.
- 9.100** If the certificate is filed within the three month time period, then the dissolution takes effect at the end of the three months. If the certificate is filed after the three month period, the dissolution takes effect at that point.
- 9.101** Unlike Companies House, we have no power to restore a society to the Register after it has been dissolved.

Dissolution after administration

- 9.102** Societies can be subject to administration. Administration could result in a rescued, solvent society. Where this is not the case, the process of winding up under the Insolvency Act 1986 can follow.
- 9.103** Where an administrator thinks that the society has no property that will permit a distribution to creditors, a notice to that effect will be sent to us.
- 9.104** We will register that notice. At the point of registration of that notice, the administration ends and the society is dissolved three months later (unless a court

³⁶ ss107 & 154 Insolvency Act 1986

orders an extension).³⁷ Dissolution is not dependent on a relevant notice under section 126 of the Act where the society is being dissolved on notice from an administrator.

Member liability

- 9.105** Society members enjoy limited liability for the society's debts. In a winding up they will normally lose the value of their shares. Any additional liability to contribute towards the payment of creditors is limited to any amount not paid up on their shares.
- 9.106** In most cases, shares will be fully paid up when issued and so no further payment will be required by members. However, the liability of members as contributories continues for one year after their membership ends.
- 9.107** Anyone who held withdrawable shares and gave notice to withdraw their shares less than a year before a winding up began, may have to contribute as part of the winding up process.
- 9.108** This liability is triggered only when the contributions of amounts unpaid on shares from people who are still members is insufficient to pay the society's debts.

Cancellation

Effects of cancellation

- 9.109** Once a society's registration has been cancelled it cannot be restored. There is no process of 're-registration'. Cancellation is a final, irreversible act.
- 9.110** The Act provides that, when a society's registration is cancelled or suspended, it loses all the privileges of a registered society from the date of publication of the cancellation or suspension notice in the [London or Edinburgh Gazette](#)³⁸.
- 9.111** From the date of publication, the society is no longer a corporate body. This means it:
- can no longer sue or be sued in its registered name
 - can no longer hold property
 - members will no longer be entitled to limited liability for debts run up if contracts are made on their behalf through a continuing, unregistered, and therefore unincorporated, society.
- 9.112** The law on unregistered partnerships or unincorporated associations will then apply to determine their liabilities.
- 9.113** In addition, liabilities incurred by the society before registration is cancelled are unaffected and so can also be the subject of litigation or claims against remaining members of the now unregistered society.

³⁷ Schedule B1, para. 84, Insolvency Act 1986 as applied by s125 CCBSA 2014 and SI 2014/229.

³⁸ <https://www.thegazette.co.uk/>

9.114 The rights of members to the return of their capital and the destination of any surplus after payment of debts and repayment of capital depend on the society's rules, reflecting the position in any solvent winding up or dissolution.

9.115 The courts have suggested that cancellation, other than on the ground that the society no longer exists at all or that it existed for an illegal purpose, may simply end registration and its privileges. This may leave the unregistered society as an unincorporated association, governed by its rules under contract law.³⁹

9.116 After registration has been cancelled, we can play no part in dealing with the distribution of society property. We cannot advise on property distribution or on the rights or liabilities of members at any stage.

9.117 There is no equivalent to Part 31 of the Companies Act 2006, which allows the restoration of a company to the Register after it has been struck off by the Registrar of Companies.

9.118 Any new registration will be of a new society following the same procedure and meeting the same registration requirements as any group setting up a new co-operative or a community benefit society.

Requesting to cancel

9.119 We can cancel a society's registration on a number of grounds. We deal with our powers to cancel a society's registration on page 8. Here we deal with cancellation at the request of the society.

9.120 We have to be satisfied cancellation of the society's registration is appropriate. We will generally only cancel a society's registration if it:

- has ceased to carry on any business
- has no assets or liabilities and
- is not insolvent

9.121 We lay down these requirements to protect members and creditors, and to prevent the use of cancellation to avoid insolvency procedures.

9.122 Societies need to complete a [request to cancel form](#).⁴⁰ The form asks for justifications for the cancellation. The information provided must satisfy us that it is appropriate to cancel the society's registration. We also:

- ask for confirmation of how the decision to cancel the society's registration was reached. Generally we would expect the decision to cancel to have been made by members at a general meeting. If this is not the case we will need to know why
- check whether all outstanding fees owed to us have been paid

³⁹ Boyle v Collins [2004] EWHC 271 Ch

⁴⁰ <http://www.fca.org.uk/your-fca/documents/forms/request-to-cancel-forms>

- 9.123** Where the society's request follows a transfer of engagements to another society or a company, we can only cancel the society's registration after it sends us a 'relevant certificate' as defined in section 126 of the Act confirming that its property has all been transferred to those entitled to it.
- 9.124** After we cancel a society's registration on this ground, we cancel the registration and send out a formal acknowledgement. Advertisements are placed in the [London or Edinburgh Gazette](#)⁴¹ and in a local newspaper in the area in which the society's registered office was situated.
- 9.125** There is no appeal to the courts against our decision to cancel a society's registration on this ground.

⁴¹ <https://www.thegazette.co.uk/>

10 Disputes

Overview

- 10.1** We do not determine disputes. That is a matter for the society's rules and ultimately the courts. Members may take legal action against the society or its officers.
- 10.2** Disputes between a society or its officers and a member (or a former member who left within the last six months) are to be decided in the way laid down in the society's rules.
- 10.3** Many societies choose to include a provision for arbitration or alternative dispute resolution in their rules and many of the Model Rules give that role to the sponsoring body.
- 10.4** If the rules state that the dispute is to be decided by us (or our predecessors), it must be referred to the county court (or Sheriff in Scotland) and cannot be decided by us.
- 10.5** However, if members are concerned that the society is not being operated in accordance with the relevant registration requirements for a society, they can complain to us. This would be on the basis that we should exercise our statutory powers and we will consider the information provided by the member.

Members' rights

- 10.6** Members are shareholders of the society. They have voting power and can exercise democratic member control in conjunction with other members. It is through these processes that members should try and resolve any issues they have.
- 10.7** In addition to any rights given in the rules of a society, the Act gives members a right to:
- a copy of the annual return and accounts of the society
 - a copy of the society rules. If the member has already been provided with a copy (e.g. on joining) the society may charge a fee
 - inspect the society's register of members at reasonable hours in the society's registered office. Though the society should not disclose a member's financial holding
 - request the FCA appoints inspectors to look at the accounts of the society. This requires at least 10 members, who must deposit money with us as security for the costs of the process
 - request the FCA orders an inspector to look into the society's affairs or to call a special meeting. At least 10% of members, or 100 members if that is a smaller number, have to make the request. The request must be supported by evidence that there are good reasons to do this, and that the request is not malicious.

Annex 1: International Co-operative Alliance Statement of Identity, Values and Principles⁴²

Identity

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of **self-help, self-responsibility, democracy, equality, equity** and **solidarity**. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from

⁴² www.ica.coop

external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

Annex 2: Names

Sensitive words

We consider the following are 'sensitive words'. Please provide evidence as to why your use of one of these words is appropriate.

(a) Words which imply national or international pre-eminence:

British	International	Scottish
England	Ireland	United Kingdom
English	Irish	Wales
European	National	Welsh
Great Britain	Scotland	

(b) Words which imply business pre-eminence or representative or authoritative status:

Authority	Council	Partnership
Institute	Institution	
Federation	Board	

(c) Words which imply specific objects or functions:

Assurance	Financial or Investment Trust	Reassurance
Assurer	Foundation	Re-assurer
Benevolent	Friendly Society	Register
Charitable Trust	Fund	Registered
Charity	Group	Re-insurance
Charter	Holding(s)	Re-insurer
Chartered	Insurance	Sheffield*
Chemist	Insurer	Stock Exchange
Chemistry	Patent	Trade Union
Co-operative	Patentee	Trust
Educational or Artistic Trust	Pensions or Staff Trust	Unit Trust
Family Trust	Post Office	

* If you wish to use a name that includes the word 'Sheffield', we will need to establish precise details of the society's location as well as its business activities. We will also need to consult the Company of Cutlers in Hallamshire.

Words requiring permission

You need to contact the relevant body for their permission to use any of the words listed below. Please evidence this permission if you want to register a name containing one of these words.

Word	Relevant body (England & Wales)	Relevant body (Scotland)
Apothecary	The Worshipful Society of Apothecaries of London www.apothecaries.org	The Royal Pharmaceutical Society of Great Britain www.rpharms.com
Charity, Charitable	Charity Commission www.charitycommission.gov.uk	Office of the Scottish Charity Regulator (OSCR) www.oscr.org.uk
Contact Lens	The Registrar General Optical Council www.optical.org	As for England and Wales
Dental, Dentistry	The Registrar General Dental Council www.gdc-uk.org/	As for England and Wales
District Nurse, Health Visitor, Midwife, Midwifery, Nurse, Nursing	The Registrar and Chief Executive United Kingdom Central Council for Nursing, Midwifery and Health www.nmc-uk.org	As for England and Wales
Health Centre	Department of Health www.gov.uk/government/organisations/department-of-health	As for England and Wales
Health Service	Department of Health www.gov.uk/government/organisations/department-of-health	As for England and Wales
National Health Service (NHS)	Department of Health www.gov.uk/government/organisations/department-of-health	As for England, Wales and Scotland
Police	Home Office www.gov.uk/government/organisations/home-office	The Scottish Ministers Police Division www.scotland.gov.uk
Polytechnic	Department for Education https://www.gov.uk/government/organisations/department-for-education	As for England and Wales
Pregnancy, Termination, Abortion	Department of Health www.gov.uk/government/organisations/department-of-health	As for England and Wales

Word	Relevant body (England & Wales)	Relevant body (Scotland)
	health	
Royal, Royale, Royalty, King, Queen, Prince, Princess, Windsor, Duke, His / Her Majesty	Ministry of Justice Constitutional Settlement Division www.gov.uk/government/organisations/ministry-of-justice The National Assembly for Wales www.assemblywales.org	Protocol Unit www.scotland.gov.uk
Special School	Department for Education www.gov.uk/government/organisations/department-for-education	As for England and Wales
University	Privy Council Office www.privycouncil.independent.gov.uk	As for England and Wales

Words governed by legislation

Legislation regulates the use of the words below. For some of them it is a criminal offence to use the word in a society name without permission.

Seek permission from the relevant body if you want to use any of the words below. We need to see any permission before we register a name containing one of the words below.

Word	Legislation	Relevant Body
Anzac	Section 1 Anzac Act 1916	Seek advice of Companies House www.companieshouse.gov.uk
Architect	Section 20, Architects Registration Act 1997	Architects Registration Board www.arb.org.uk
Bank, Banker, Banking, Deposit	Banking Act 1987	Financial Conduct Authority Sensitive Business Names www.fca.org.uk/firms/being-regulated/sensitive-names
Building Society	Building Societies Act 1986	Financial Conduct Authority Sensitive Business Names www.fca.org.uk/firms/being-regulated/sensitive-names
Chamber(s) of Business, Chamber(s) of Commerce, Chamber(s) of Commerce and Industry, Chamber(s) of Commerce, Training and Enterprise, Chamber(s) of Enterprise, Chamber(s) of Industry, Chamber(s) of Trade, Chamber(s) of Trade and Industry, Chamber(s) of Training, Chamber(s) of Training and Enterprise or the Welsh translations of these words	Company and Business Names (Chamber of Commerce etc). Act 1999	Guidance is available from Companies House www.companieshouse.gov.uk
Chiropractor	Chiropractors Act 1994	The Chief Executive General Chiropractic Council www.gcc-uk.org
Dentist, Dental Surgeon, Dental	Dental Act 1984	The Registrar General Dental Council

Practitioner		www.gdc-uk.org
Drug, Druggist, Pharmaceutical, Pharmacist, Pharmacy, Pharmaceutist	Section 78, Medicines Act 1968	The Director of Legal Services The Royal Pharmaceutical Society of Great Britain www.rpharms.com The Pharmaceutical Society www.rpharms.com
Institute of Laryngology Institute of Otology Institute of Urology Institute of Orthopaedics	University College London Act 1988	University College London www.ucl.ac.uk
Insurance Broker, Assurance Broker, Re-Insurance Broker, Re-Assurance Broker	Sections 2 & 3 Insurance Brokers (Registration) Act 1977	The Insurance Brokers Registration Council www.legislation.gov.uk
Olympic, Olympiad, Olympian, Paralympic, Paralympiad, Paralympian (or plurals, or translations of these or words so similar to these protected words)	Olympic Symbol etc. (Protection) Act 1995 (as amended)* Use of such words may infringe the rights of the British Olympic Association/British Paralympic Association. <i>*Also protects the Olympic symbols of five interlocking rings; the Olympic motto "Citius Altius Fortius" ("Faster, Higher, Stronger"); the Paralympic symbol of three "agitos"; the Paralympic motto "Spirit in Motion"; and anything so similar to them.</i>	The London Organising Committee of the Olympic Games Limited (LOCOG) www.culture24.org.uk/am54566
Optician, ophthalmic optician, dispensing optician, enrolled optician, registered optician, optometrist	Opticians Act 1989	The Registrar General Optical Council www.optical.org
Patent Office, Patent Agent	Copyright, Designs and Patents Act 1988	Intellectual Property Office www.ipo.gov.uk
Red Cross, Geneva Cross, Red Crescent, Red Lion and Sun	Geneva Conventions Act 1957	Seek advice of Companies House www.companieshouse.gov.uk

Registered, State or Registered: Chiropodist, Dietician, Medical Laboratory, Technician, Occupational Therapist, Orthoptist, Physiotherapist, Radiographer, Remedial Gymnast	Professions Supplementary to Medicine Act 1960	Department of Health https://www.gov.uk/government/organisations/department-of-health
Solicitor (Scotland)	S.31 Solicitors (Scotland) Act 1980	The Law Society of Scotland www.lawscot.org.uk
Veterinary Surgeon, veterinary, vet	Section 19/20 Veterinary Surgeons Act 1966	The Registrar Royal College of Veterinary Surgeons www.rcvs.org.uk

Visit www.fca.org.uk/mutuals for more information.

Financial Conduct Authority



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