

Mutuals' Redeemable Shares Bill [HL]

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TO

Enable the law relating to societies registered under the Industrial and Provident Societies Act 1965 or the Friendly Societies Act 1992 and certain mutual insurers to be amended to permit and facilitate the use of a new and additional class of redeemable share capital; to provide consequential rights to members of such societies or insurers; and to restrict the voting rights of certain members who hold such shares.

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Power to permit the use of a new class of redeemable shares

- (1) The Secretary of State may, by regulations, amend the Industrial and Provident Societies Act 1965, hereafter called “the 1965 Act”, the Friendly Societies Act 1992, hereafter called “the 1992 Act”, the Companies Act 2006 and any legislation governing a mutual insurer to permit and facilitate the use of a new and additional class of redeemable share in a society or mutual insurer. 5
- (2) This subsection applies to redeemable shares referred to in subsection (1)—
- (a) a redeemable share in a society registered under the 1965 Act may be transferable but may not be withdrawable;
 - (b) a redeemable share in a society registered under the 1992 Act shall have such characteristics as may be provided by amendments made to that Act by regulations made under this section but shall not be withdrawable; 10
 - (c) a redeemable share in a mutual insurer shall have such characteristics as are specified in regulations made under this Act and shall be subject to such provisions of the Companies Act 2006 (whether or not they are amended or inserted by regulations under this Act) as are applied to them by such regulations; 15
 - (d) regulations made under this Act shall ensure, in respect of redeemable shares whose use is permitted or facilitated by any such regulations, that every holder of such shares is or becomes — 20
 - (i) a member of the society or mutual insurer;

- (ii) entitled to only one vote as a member regardless of the value or number of shares that they hold and regardless of any entitlement they may have as a result of their participation in the society or mutual insurer otherwise than as a holder of such shares; 5
- (iii) entitled to only the level of remuneration payable under the rules of the society or the constitution of the mutual insurer;
- (iv) entitled to repayment of the nominal value of the share on redemption of the share, or the earlier solvent liquidation of the society or the mutual insurer and to no other bonus or part of any surplus. 10
- (3) The power to make regulations under this Act is exercisable by statutory instrument and must not be made unless a draft of it has been laid before and approved by resolution of each House of Parliament.
- 2 Redeemable shares** 15
- (1) Regulations made under section 1(1) may provide for a society or mutual insurer to issue either –
- (a) shares that will be redeemed on a fixed or ascertainable date stated in the terms of issue of the share, or
- (b) shares that can be redeemed on a date chosen either by the society or mutual insurer or by the member who holds the share in accordance with the terms of issue of the share. 20
- (2) The memorandum or rules of any society or constitution of any mutual insurer may exclude or restrict the issue of redeemable shares.
- (3) A society or mutual insurer may only issue redeemable shares if it is authorised to do so by its memorandum or rules. 25
- (4) A society or mutual insurer with share capital may only redeem a redeemable share if it has, at the time of redemption, at least one issued share which is neither redeemable nor withdrawable.
- 3 Terms and manner of redemption** 30
- (1) Regulations made under section 1 may permit the directors or committee of a society or mutual insurer to determine the terms, conditions and manner of redemption of shares if they are authorised to do so –
- (a) by the society's or mutual insurer's rules or other constitutional document, or 35
- (b) by a resolution of the society or mutual insurer.
- (2) Regulations made under section 1 may provide that, notwithstanding any provision of any legislation or of the society's rules or the mutual insurer's constitution, a resolution under subsection (1)(b) may be an ordinary resolution, even if it amends the society's rules or the mutual insurer's constitution. 40
- (3) Where the directors, committee or committee of management can be authorised by regulations, in accordance with subsection (1), to determine the terms, conditions and manner of redemption of shares, regulations shall provide – 45
- (a) that they must do so before the shares are allotted, and

- (b) that any obligation of the society or mutual insurer to state in a statement of capital the rights attached to the shares extends to the terms, conditions and manner of redemption.
- (4) Where directors, committee or committee of management are not so authorised, the terms, conditions and manner of redemption of any redeemable shares must be stated in the society's rules or the mutual insurer's constitution. 5
- (5) Regulations made under section 1 may apply sections 658 to 737 of the Companies Act 2006, with such modifications as the Treasury may think fit, to any society or mutual insurer to be permitted by those regulations to issue redeemable shares. 10

4 Restriction on voting rights

No holder of a redeemable share, who is a member of a society or mutual insurer only by virtue of holding such a share, shall be entitled to propose, or vote in respect of, any resolution under section 50, 51 or 52 of the Industrial and Provident Societies Act 1965, or section 85, 86 or 91 of the Friendly Societies Act 1992 (amalgamation, transfer of engagements or conversion into a company) or any resolution or proposal to similar effect in the case of a mutual insurer, including a compromise or arrangement proposed at a meeting called under section 896 of the Companies Act 2006 or, in any case, a proposed transfer or sale of business or property under section 110 of the Insolvency Act 1986. 15 20

5 Definitions

In this Act—

a “society” is—

- (a) a society registered under the 1965 Act other than a credit union registered under that Act by virtue of the Credit Unions Act 1979; or 25
- (b) a friendly society incorporated and registered under the Friendly Societies Act 1992; or
- (c) a body which is a co-operative or mutual undertaking of such description as HM Treasury may specify by order and which is established or operates in accordance with the laws of an EEA State or any of the Channel Islands or the Isle of Man; 30

a “mutual insurer” is a body corporate, other than a society, which has no share capital and which has permission to effect or carry out contracts of insurance pursuant to the Financial Services and Markets Act 2000; 35

“the 1965 Act” includes the Industrial and Provident Societies Acts 1965 to 2003, all later Acts amending or replacing them and any secondary legislation made under any such Acts;

“the 1992 Act” includes the Friendly Societies Act, all later Acts amending or replacing it, and any secondary legislation made under any such Acts. 40

6 Short title, commencement and extent

- (1) This Act may be cited as the Mutuals' Redeemable Shares Act 2013.

- (2) This Act shall come into force on such day as the Secretary of State may by order made by statutory instrument appoint, and different days may be appointed for different purposes.
- (3) This Act extends to England and Wales, Scotland and Northern Ireland.

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Lord Naseby

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