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TO

Enable the law relating to co-operatives and community benefit societies registered under the Industrial and Provident Societies Act 1965 to be amended so as to bring it into conformity with certain aspects of the law relating to companies; to permit a registered society whose business is conducted for the benefit of the community to provide that its assets are dedicated permanently for that purpose; and for connected purposes.

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 Community benefit societies

- (1) The rules of a community benefit society which is, or is to be, registered under the 1965 Act may, in addition to provision in respect of the matters mentioned in Schedule 1 to that Act, include—
- (a) provision prohibiting the distribution of any of the assets of the society to its members, prohibiting distribution of any of its assets save on dissolution and, on dissolution, prohibiting the distribution of any of its assets to any person other than—
 - (i) a qualifying community benefit society; or
 - (ii) a charity;
 - (b) provision that the rule or rules making the provision mentioned in paragraphs (a) and (c) cannot be altered by the members of the society; and
 - (c) provision that the society cannot transfer its engagements to, amalgamate with or convert itself into a company under the Companies Act 1985 (c. 6) or any other body unless the constitution of that company or body or, in the case of an amalgamation, the successor body makes the provision mentioned in this paragraph and in paragraphs (a) and (b) above.

- (2) A community benefit society may at any time by special resolution alter its rules to include all or any of the provisions mentioned in subsection (1)(a) to (c) above.
- (3) In this section—
- “community benefit society” means a society which is, or is intended to be, registered under section 1 of the 1965 Act and which satisfies the condition mentioned in subsection (2)(b) of that section; 5
- “qualifying community benefit society” means a community benefit society whose constitution contains provision equivalent to that mentioned in subsections (1)(a) to (c) above;
- “special resolution” means a resolution— 10
- (a) which is passed at a general meeting of which notice, specifying the intention to propose the resolution, has been duly given according to the rules of the society (“the rules”);
 - (b) which is passed by not fewer than 75 per cent of such qualifying members of the society as may have voted in person or, where the rules allow proxies, by proxy; 15
 - (c) on which not fewer than 50 per cent of the qualifying members of the society voted either in person or, where the rules allow proxies, by proxy; and
 - (d) which is confirmed by a majority of such qualifying members of the Society as may have voted in person or, where the rules allow proxies, by proxy at a subsequent general meeting of which notice has been duly given held not less than fourteen clear days nor more than one clear month from the day of the meeting at which the resolution was passed in accordance with paragraphs (a) to (c) above, 20 25
- and references to the qualifying members of a society are references to the members of the society who are for the time being entitled under the society’s rules to vote.
- (4) Subsections (3) to (5) of section 50 of the 1965 Act shall have effect for the purposes of this section as they have effect for the purpose of that section but as if the words “subsection (2)(b) of” were omitted. 30

2 A Society’s Capacity

- (1) Subject to subsection (2) of this section, sections 35, 35A, 35B and 322A of the Companies Act 1985 as for the time being in force shall apply to any society registered under the Industrial and Provident Societies Act 1965 as if that society were a company. 35
- (2) In the application of those sections to societies:
- (a) references to the directors or the board of directors of a company shall be taken to refer to the committee members or committee of a society respectively; 40
 - (b) references to persons connected with a director or to a company with whom a director is associated are to be construed accordingly and to include a society as if it were a company;

- (c) without prejudice to the application of subsection (3) of section 35A, references to the memorandum of a company or to the company's constitution shall be taken to refer to the registered rules of the society;
- (d) references to companies which are charities shall be taken to mean societies which have been recognised by the Inland Revenue as having charitable status and section 65 of the Charities Act 1993 and section 112(3) of the Companies Act 1989 shall apply to such societies in connection with the application of sections 35 and 35A to them as they do in relation to companies which are charities; 5
- (e) references to a special resolution shall be taken to mean a resolution passed by a majority of not less than three-fourths of such members of the society as (being entitled to do so) vote in person or, where the rules allow proxies, by proxy at a general meeting of which notice, specifying the intention to propose the resolution, has been duly given according to the rules of the society; and 10
- (f) a copy of every special resolution passed in accordance with paragraph (e) of this subsection signed by the chairman of the meeting at which it was passed and countersigned by the secretary of the society shall be sent to the Authority and registered by it. 15
- 3 Formalities of Carrying On Societies' Business and Pre-incorporation Contracts 20**
- (1) Subject to subsection (2) of this section, sections 36, 36A, 36B, 36C, 37, 38, 39 and 41 of the Companies Act 1985 as for the time being in force shall apply to any society registered under the Industrial and Provident Societies Act 1965 as if that society were a company. 25
- (2) In the application of those sections to societies:
- (a) references in those sections to a director of a company shall be taken to refer to a director or committee member of a society but not to any other officer or employee unless that person is in fact a director or committee member; and 30
- (b) references to a company's articles shall be taken to refer to the rules of the society.
- (3) Section 29 of the Industrial and Provident Societies Act 1965 is repealed and section 1 of the Corporate Bodies Contracts Act 1960 shall have no application to industrial and provident societies. 35
- 4 Interpretation**
- In this Act "the 1965 Act" means the Industrial and Provident Societies Act 1965 (c. 12).
- 5 Short title, commencement and extent**
- (1) This Act may be cited as the Co-operatives and Community Benefit Societies Act 2003 and this Act and the Industrial and Provident Societies Acts 1965 to 2002 may be cited together as the Industrial and Provident Societies Acts 1965 to 2003. 40

- (2) This Act shall come into force on the expiration of the period of two months beginning with the date on which it is passed.
- (3) This Act does not extend to Northern Ireland.

Co-operatives and Community Benefit Societies Bill

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*Presented by Mr Mark Todd
supported by
Mr John McWilliam, Dr Vincent Cable,
Mr Simon Thomas, Linda Gilroy,
Ms Meg Munn, David Taylor,
Mr Adrian Bailey, Mr Andrew Love,
Mr Tom Watson, Mr Gareth Thomas and
Mr Dennis Turner*

*Ordered, by The House of Commons,
to be Printed, 11th December 2002*

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PUBLISHED BY AUTHORITY OF THE HOUSE OF COMMONS
LONDON - THE STATIONERY OFFICE LIMITED
Printed in the United Kingdom by
The Stationery Office Limited
£1.50

Bill 15

(814674)

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