Pre-legislative Scrutiny Summary

Credit Unions

Proposal 1a – Rejected by DETI Abolish the minimum age for membership of a credit union		
Explanation – At present, only people above the age of 16 can be members of a Northern Ireland credit union. The policy consultation suggested abolishing this age requirement, giving credit unions the freedom to set their own membership age limit in their registered rules.		
Comment / Suggestions / Possible Amendment	**Departmental Response**	**Committee View**
ILCU The current legislative position is adequate. There does not appear to be any overwhelming rationale for the proposed amendment. **UFCU** Supports the change to reflect the changes in GB. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** Not in favour of reducing the age limit. A situation where young people are able to borrow at 16 is not wanted.	**Post Consultation Decision** *Rejected* Difficulties outweigh the benefits. Credit unions can already take deposits from young people. Concerns around the enforceability and validity of loan contracts for minors. Many CUs would not offer loans to minors which would significantly reduce the benefits. **DETI Oral Evidence (27th February 2014)** There was not a desire for that proposal to proceed in relation to CUs but there was a strong response that IPSs would be content with it. IN reaching our decision we considered that IPSs are very different entities to CUs. CUs look after money, and there are a lot of issues that mean that it would be better to leave the age limit where it is. The proposals are broadly based on the legislation in GB. Balancing everything, we thought that it was better to maintain it as it stands for CUs. The CU movement is quite active in schools and in encouraging children to open accounts with them. There are juvenile accounts, and the movement encourages children and young people. However, they are not members.	The Committee is content with the Department's decision to reject this proposal.

Proposal 1b – Rejected by DETI Abolish the minimum age for becoming an officer of a credit union
Explanation – At present, only people aged 18 or above can be an officer of a credit union. The policy consultation suggested that this statutory age limit is reduced to 16, with the option that credit unions can continue to maintain the existing age limit in their registered rules.

Comment and Suggestions	Departmental Response	Committee View
ILCU The current legislative position is adequate. There does not appear to be any overwhelming rationale for the proposed amendment. **UFCU** Supports the change to reflect the changes in GB. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** There are problems with the notion that someone aged 16 could become a director of a CU. There is a serious onus and burden on the directors of CUs on how they operate since the FCA has taken over regulation. There are many opportunities for younger people to become involved in other ways. It is unfair to expect a 16 year old to accept the legal fiduciary responsibility of being a director.	**Post Consultation Decision** *Rejected* The key potential benefit was considered to be increased involvement of younger people. Concerns that minors would not have the capacity to undertake the duties of directors. It is reasonable that CUs should be subject to different regulatory arrangements to companies. **DETI Oral Evidence (27th February 2014)** See above	The Committee is content with the Department's decision to reject this proposal.

Proposal 2 – CLAUSE 5 Allow credit unions to charge more for provision of a copy of their rules, and ensure that members are entitled to a copy free of charge		
Explanation – NI credit unions are currently obliged to deliver to any person who demands it a copy of the society's registered rules, for payment of not more than £1. The legislation does not prevent societies from imposing a charge on their own members for a copy of the rules. The policy consultation proposed allowing credit unions to charge non-members a fee not exceeding £5 for a copy, and that members of credit unions who had not previously received a copy of the society's rules should have the right to a copy free of charge.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU The legislation could provide for the amount to be increased in subordinate legislation in line with inflation. The right to a free copy should be once in a life-time only rather than every time there is a rule amendment. **UFCU**	**Post Consultation Decision** *Accepted* There was overwhelming support. First copy for members will be free. Non-members and members requesting a further copy can be charged up to £5. **DETI Oral Evidence (27th February 2014)** The Department does not see an issue with requiring CUs to provide free copies of their rules electronically, either on the web or by email. The legislation does not stipulate how the rules have to be	The Committee is mostly content with the Department's decision to accept this proposal. During oral evidence from the credit union trade bodies, it was suggested that there

Content that credit unions be permitted to charge a fee to non-members not exceeding £5. Content that members should be given a copy of rules free of charge. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** Most CUs have a website. The rules are on the website and can be downloaded for free. When people ask for a hard copy costs are incurred. There should be an inbuilt mechanism to allow for inflation.	conveyed to members. **DETI Response (17 June 2014)** In a written response the Department informed the Committee that provision has been made to incorporate the Committee's suggestion in the draft Bill by giving the Department a power to increase the maximum fee by way of subordinate legislation.	should be an in-built mechanism to allow the fee charged to be increased in line with inflation when considered appropriate. The Committee believes that the maximum limit of the fee is set in subordinate legislation.

Proposal 3 – Rejected by DETI Facilitate the easier dissolution of a credit union		
Explanation – At present, a solvent NI credit union wishing to dissolve must prepare an instrument of dissolution, which must be signed by not less than three quarters of the members of the society. Where, for example, a credit union has lost contact with a number of members, securing the necessary number of signatures could prove very difficult. The policy consultation therefore put forward an alternative method requiring two general meetings in succession, the first requiring a two-thirds majority and the second a simple majority, followed by confirmation from the UK regulatory authority.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Concern that the proposed mechanism could be abused by groups of members who may wish to see the CU dissolved for selfish reasons. Not needed in Northern Ireland. **UFCU** Supported. Providing a more flexible approach is both practical and helpful. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** Due to the new regulatory regime, the UFCU wanted to make it easier for small CUs to amalgamate and, where they could not, to	**Post Consultation Decision** *Rejected* No difficulties have been identified to date. After discussion between ILCU and UFCU it was agreed that change is not warranted. **DETI Oral Evidence (27th February 2014)** The Bill deals with credit unions and IPSs, and the question of dissolution applies to both. The CU movement did not have much interest in it, and that is why we are not taking it forward. When DETI spoke to the two trade bodies, they were not aware of any problems in Northern Ireland with dissolution. So there seemed no point in changing what was already there.	The Committee is content with the Department's decision to reject this proposal.

dissolve. After discussion with ILCU they agree that there is no point in changing the current position. The ILCU believes that a situation cannot be allowed where a few people can dissolve a CU. CUs many have a lot of money in their general reserves. If a CU is dissolved and every member is paid back, the reserves are divided among the directors.		

Proposal 4 – Rejected by DETI Amend the rules on the 'common bond' requirement for membership of a credit union		
Explanation – Currently, membership of a credit union in Northern Ireland is restricted to those who share a 'common bond' with all other members. A person wishing to join a credit union must share at least one common bond with all existing members. The policy consultation proposed removing the requirement that a single common bond exists between the members of a credit union; instead allowing credit unions to choose to admit members on the basis of any combination of one or more common bonds if they desire to do so. The policy consultation also sought views on a proposed 'potential field of membership' limit. This applies to credit unions in Great Britain and stipulates that where one or more of a credit union's common bonds relate to geographic locality, the number of potential members of the society must not exceed two million.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Much of this is not relevant to Northern Ireland. Supported in that it could be a provision which is required in the future and could assist in the transfer/amalgamation of credit unions where necessary. **UFCU** Not supported. The majority of people in Northern Ireland can access a credit union in their area. Lifting the requirement may result in disagreements and disputes between individual credit unions. **Joint ILCU/UFCU Oral Evidence (13th March**	**Post Consultation Decision** *Rejected* A small majority of respondents were in favour of this proposal. On balance there is no persuasive argument for change. The key potential benefit raised concerned the transfer and amalgamation of credit unions. However, current legislation allows for this. Multiple common bonds would steer CUs away from mutuality and blur the distinction with other financial providers. The common bond sits at the core of CUs and gives the sector its distinctive nature and ethos. It is currently possible to seek a new common bond if two CUs wish to merge. CUs are exempt from EU banking regulation as member-based organisations. If the statutory common bond concept is diluted it is	The Committee is content with the Department's decision to reject this proposal.

2014) The ILCU saw this as benefiting CUs which wished to amalgamate and in maintaining a common bond which reflects the community. If you relax the common bond you could lose a sense of belonging.	possible that CUs exemption could be reviewed.	

Proposal 5 – CLAUSE 2 Remove the restriction on non-qualifying members of credit unions		
Explanation – Credit unions in Northern Ireland are restricted from permitting any more than 10% of their membership to be composed of people who no longer meet the original common bond criteria (non-qualifying members). This may arise where a person has moved house or change a job. The policy consultation suggested the removal of this restriction, allowing credit unions to set their own limits via their own rules.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Supports the proposal to remove the 10% limit to allow individuals who have moved outside the common bond to remain active members. A credit union should be allowed to set its own limit on non-qualifying members. **UFCU** Supports the proposal. Should be lifted to reflect increasing levels of movement by members. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** Both bodies are content to have the 10% limit removed. This is due to the increased mobility of people who are already members of a CU but who have moved outside the common bond area, very often to work or to study. There was concern that the common bond could, at some stage, be changed to some sort of statement of common purpose, which would fundamentally change why CUs exist. There is no need for a cap at all. CUs can, within their own rules, decide to adopt a cap. All members	**Post Consultation Decision** *Accepted* Current limit may restrict CU membership and growth. It may disrupt the financial affairs of members when for example leaving members must repay outstanding loans. It could also force people to change their financial provider when they move house or change jobs. CUs will be able to set their own limits in their rules. **DETI Oral Evidence (27th February 2014)** This will be enabling legislation. CUs do not have to introduce it. However, it was thought that a lot of people may wish to retain the link with the CU they started with. The risk of a controlling caucus emerging, as a result of the removal of any upper limit, is considered to be minimal. It is reflective of the higher level of mobility in society now. Individual CUs will be given the freedom to set whatever threshold they want.	The Committee is content with the Department's decision to accept this proposal.

would have met the common bond when they joined. From the perspective of the Money Laundering Regulations 2007 CUs can still adequately identify their members.		

Proposal 6 – CLAUSE 1 Allow credit unions to admit corporate members		
Explanation – At present, only individuals can join a credit union; organisations such as companies cannot become members. The policy consultation proposed that credit unions can admit as members: a body corporate; a partner acting for a partnership; and an officer or member of the governing body acting for an unincorporated association (collectively referred to 'corporate members'). Also proposed were a number of safeguard limits. The number of corporate members in a credit union would be limited to 10% and the number of shares, other than deferred shares, held by corporate members cannot exceed 25%.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Supports the proposal to allow corporate members to join the credit union and the limits set out in the proposal. Membership should be in the name of the association/partnership rather than in a named individual. **UFCU** Supports the proposal. Allowing clubs and charities to join will significantly boost membership and increase a sense of community ownership. Capping the shareholdings and membership of corporate members is reasonable and prudent. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** It would be acceptable to have this done through subordinate legislation. There would still be only two people with a vote at the AGM. The CU would have to hold a mandate as to who speaks on behalf of that	**Post Consultation Decision** *Accepted* Met with strong support from stakeholders. The proportion of lending to corporate members will be limited to 10%. The 'one member one vote' principal will continue. The decision to admit corporate members will rest with the CU. CUs can also set safeguard limits lower than those proposed. Concerns regarding the names associated with the accounts of unincorporated organisations should be raised with the regulatory authority. **DETI Written Evidence 30 January 2015** Having explored alternatives with the regulatory body, the Department has decided that, in view of the prudential risks, the Department's original policy proposal will be maintained – that an unincorporated group cannot be a member of a credit union in its own right, but that a named individual can join on behalf of an incorporated group. However, with the aim of easing the associated administration, the Bill will permit either the transfer of rights and liabilities from one representative to another or the opening and closing of accounts. **Written Evidence considered 28th April 2015**	The Committee is mostly content with the Department's decision to accept this proposal. During oral evidence, the credit union trade bodies expressed concern at the Department's response to their request that corporate accounts are held in the name of the entity rather than in the name of an individual. The Department responded that the matter should be raised with the regulatory authority. The Committee believes that the Department should explore with the regulatory authority if and how the provision for corporate accounts to be held in the name of the entity can be included in primary legislation.

organisation and it would have to be changed like a bank mandate. It is essential that corporate accounts are held in the name of the entity rather than the name of an individual. They currently want the entity's name in the first name field and an individual named in the surname field. There are concerns that as company directors change regularly, especially with community organisations. Unsure if this will present difficulties for Northern Ireland legislation. The Department's response that the matter should be raised with the regulatory authority is not satisfactory. It should be in the legislation. **ILCU Written Evidence considered 24th March 2015** While it has reservations in relation to the proposed treatment of unincorporated associations in the legislation, the ILCU understands the reason for the proposed policy position being suggested by DETI and is satisfied with the suggested approach being adopted at this time in order to move the legislative process forward and, n the basis that there may be an opportunity in the future to discuss the issue with the regulators and perhaps revisit the matter at a later stage. **Correspondence from UFCU (24th March 2015)** In response to a Committee query on the	In response to the UFCU concerns about the opportunity for fraud, the Department raised the issue with the Financial Services Compensation Scheme (FSCS) which advised that it sees no reason why fraud would be more likely at failure than it would be whilst the unincorporated association funds were held in the credit union account to which the individual had access. In addition, should the credit union account for an unincorporated association have two or more signatories, compensation would be split equally and cheques issued to each individual. This would reduce significantly any scope for potential fraud. The FSCS also confirmed that it has no plans to alter its existing practice of sending out compensation cheques in the name of a natural person rather than in the name of unincorporated associations which have no legal status. **Written Response (17 June 2014)** The Department informed the Committee that officials have had significant engagement on the issue with both UK credit union regulatory bodies (PRA and FCA). It stated that a response will be prepared following further consideration. **Written Response (30 January 2015)** The Department stated that, because credit unions are unincorporated groups which are not recognised as legal entities separate from their members and cannot enter into contracts, borrow money, hold property etc., they would not be permitted to admit as members unincorporated groups in their own right. Unincorporated groups must hold accounts in the name of an individual. A credit union account solely in the name of an unincorporated group may not make clear to persons in that group that they share legal obligations in respect of that account and may be liable to action. DETI officials also explored an alternative of permitting transfer of	

Department's decision the UFCU stated that, provided there is flexibility in the wording and interpretation of the proposed legislation it will accept that unincorporated entities can join a credit union in the name of an individual. The UFCU does, however remain of the opinion that if banks and building societies can open accounts in the name of unincorporated entities in Northern Ireland the credit union sector should also be able to do so. The response stated that the sector would have the opportunity to speak directly to HM Treasury to discuss concerns and provide a more informed view of the credit union sector in Northern Ireland. UFCU had some concerns that when the Financial Services Compensation Scheme (FSCS) becomes involved and makes cheques payable to the named individual, this can present the opportunity for fraud.	rights and liabilities from one individual representative to another. In view of the prudential risks, it has been decided that the Department's original policy proposal will be maintained. With the aim of easing the associated administration, the Bill will however permit either the transfer of rights and liabilities from one representative to another or the opening and closing of accounts. **DETI Response (8th April 2015)** The Department informed the Committee that it had raised the issue of the potential for fraud with the FSCS and had been advised the FSCS sees no reason why fraud would be more likely at failure than it would be whilst the unincorporated association funds were held in the credit union account to which the individual had access. In addition, in the event that the credit union account for an unincorporated association has two or more signatories, compensation would be split equally and cheques issued to each individual thus reducing significantly any scope for potential fraud. The FSCS confirmed that it has no plans to alter its existing practice and has emphasised that unincorporated associations have no legal status.	

Proposal 7 – Rejected by the Committee and agreed by DETI Allow credit unions to offer deferred shares		
Explanation – The policy consultation proposed allowing credit unions to offer 'deferred' shares, the key feature of which is that principal can only be repaid to the shareholder if the credit union is wound up or dissolved and all creditors have been paid in full, or with the consent of the regulatory authority. Deferred shares would be transferable, but would not be withdrawable, and would not be covered by the Financial Services Compensation Scheme.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Credit unions in Northern Ireland are generally well capitalised an unlikely to need this. It is questionable whether	**Post Consultation Decision** *Accepted* Significant demand is not anticipated but it is seen by many as potentially useful in the future. CUs will not be obliged to offer deferred shares. **DETI Oral Evidence (27th February 2014)**	During oral evidence, both trade bodies expressed significant concerns regarding this proposal. The response from the Department causes much concern in that, in the event that an individual wishes to transfer deferred shares

this would appeal to a member. **UFCU** Supports the proposal. There is little interest but it would allow credit unions to avail of additional capital. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** It would be unfair to penalise a recipient of deferred shares simply because they did not live within the common bond or fulfil the conditions of the common bond. There is no need for this in the Irish context; it was cut and pasted from the GB legislation. This position is supported by both the ILCU and UFCU. ILCU asked the Committee not to support the proposal.	It is envisaged that most of those holding deferred shares would be corporate members. DETI is to clarify whether, in the case where deferred shares are being transferred, the person to whom they are being transferred would have to meet the common bond. Deferred shares are not covered by the normal compensation scheme that ordinary shares in CUs are so there is more risk involved. Deferred shares would not be seen as one of the primary creditors in the redistribution of assets if the credit union was to be wound up. **DETI Written Response (13th March 2014)** Deferred shares are transferable but can only be transferred to another member of the credit union concerned. Deferred shares would not be transferable to an individual who did not meet the common bond. In addition, deferred shares could not be transferred to someone who satisfies a credit union's common bond requirement but is not a member. Legal advice is being sought regarding the situation arising where the executor/administrator cannot find a willing buyer for deferred shares within the respective credit union and the Committee will be informed accordingly on this issue. **DETI Written Response (17th June 2014)** The Department informed the Committee that HM Treasury advise that, unless the registered rules of the credit union concerned provide otherwise, the credit union must apply to the FCA for consent to pay the value of the share to the person who, for instance, was nominated to receive deferred shares or bequeathed them. The Department conceded that the issue has become academic as opinion, including that of the ILCU and UFCU has turned against the introduction of deferred shared. Therefore, given what the Department termed 'the strongly negative stance now coming from the sector' and the Committee's indication that it may reject the proposal, it has been decided not to take the measure forward.	(for example on death) to another individual, they may not be able to do so if that individual cannot meet the common bond. This further leads to concerns about what would happened to both the shares and dividend in the event that deferred shares were, effectively, in limbo. The Committee is currently minded to reject this proposal as it raises too much uncertainty. Both trade bodies believe the facility is unlikely to be availed of, and neither is opposed to it being rejected. Indeed the ILCU specifically asked the Committee not to support the Proposal. The Committee will await the Department's response, following its legal advice, prior to coming to an agreed Committee position, however, the Department may wish to consider not bringing this proposal forward in the Bill as there seems to be no benefit to any party in so doing.

Proposal 8 – CLAUSE 3 Allow credit unions to offer interest-bearing shares		
Explanation – The policy consultation proposed allowing credit unions to offer interest-bearing shares in addition to shares entitling the holder to a dividend.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Supports the proposal. It is suggested that the legislation provides that a minimum number of traditional dividend-bearing shares be maintained before permitting a member to subscribe to interest bearing shares or alternatively, allow a credit union to impose a minimum requirement in its rules. **UFCU** Supports the proposal. Would allow larger credit unions to compete directly with banks and larger financial institutions. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** With interest bearing shares the CU knows in advance whether a person is going to put them in for a set time to guarantee the interest rate. That would allow CUs, even better than they can now, to forecast how much money they have to lend.	**Post Consultation Decision** *Accepted* These could have operational advantages for CUs, helping them to establish in advance, payments to shareholders. This is in contrast to retrospective dividend payments at year-end. It would also make CUs a more attractive proposition for savers and put CU on a more competitive footing with other financial institutions. More savers would enable CUs to make more affordable credit available. A number of safeguarding conditions are outlined at paragraph 66 of the Department's summary of consultation responses. There were concerns regarding possible 'two-tier' membership. Individual CUs will be able to oblige members to hold a particular number of ordinary dividend-bearing shares before being permitted to acquire interest-bearing shares. CUs will be under no obligation to offer interest-bearing shares. The risks of allowing CUs to offer interest-bearing shares are outweighed by the advantages of making CUs more competitive. **DETI Oral Evidence (27th February 2014)** Considered a positive approach because people know what return they will get on their money. It puts them on an even keel with building societies and banks. The CUs may not be particularly interested in it but they see there is a point in having it in the legislation. It will be up to individual CUs to set the limit on the number of dividend-bearing shares a member must hold before being able to avail of interest-bearing shares.	The Committee is content with the Department's decision to accept this proposal.

Proposal 9 – Rejected by DETI Abolish the 8% per annum limit on dividends

Explanation – Northern Ireland credit unions are currently prevented from paying a dividend in excess of 8% per annum. The policy consultation proposed restricting this 8% limit, applying it only when credit unions are dissolved and allowing credit unions to set their own limits in their registered rules.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU This applies more to GB. The Rationale for the removal of this limit is not applicable to Northern Ireland. There is no evidence that the dividend limit has restricted credit unions' productivity and capacity to innovate. The retention of the statutory limit would protect against excessive dividends being paid to the detriment of the credit union as a whole. **UFCU** Supports the proposal. Although it is unlikely to happen in the foreseeable future it may happen sometime in the future. Also supported is the 8% limit should be retained for the dissolution of credit unions. **Joint ILCU/UFCU Oral Evidence (13th March 2014)**	**Post Consultation Decision** *Rejected* After post-consultation discussion with trade bodies, agreement was reached not supporting the change. A dividend exceeding 8% is extremely unlikely in the current economic circumstances. It can be changed by subordinate legislation if needed in the future.	The Committee is content with the Department's decision to reject this proposal.

Proposal 10 – CLAUSE 4 Amend provisions relating to 'attachment of shares'		
Explanation – Shares in a credit union are said to be 'attached' when they cannot be withdrawn because the member has an outstanding loan in excess of their shareholding. At present, a member of a NI credit union must obtain the permission of the credit union board to make a withdrawal of shares, where it would reduce the member's shareholding to less than his total liability to the credit union. If, for example, a member has a £1,000 loan, and £1,500 shares, the member may withdraw £500, but the remaining £1,000 may only be withdrawn at the discretion of the board of directors. As proposed in the policy consultation, the decision on which shares are withdrawable would be made at the time the member takes out the loan, rather than at the time the member seeks permission to make a withdrawal. Each credit union loan agreement would therefore specify when shares are unattached (and withdrawable) and are attached for the duration of the loan.		
Comment and Suggestions	**Departmental Response**	**Committee View**

ILCU Agrees that, in general, a credit union should be permitted to determine at loan agreement stage the extent to which shares are attached to a loan. Supported only if it is clarified that the CU can determine at the loan agreement state that all *future shares* can also be deemed to be attached to the loan. **UFCU** The current rules should be retained. The current rules have some flexibility in that they allow shares to be accessed in an emergency. There is a sufficient level of supervision, discretion and flexibility in the current system. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** Although there was some difference of opinion between the two bodies at first, there is now agreement. If someone borrows money from and owes money to a CU, the CU is entitled to have a lean on their savings.	**Post Consultation Decision** *Accepted* At present, a decision on attachment is made when there is an application to withdraw savings after a loan is taken out. This proposal will bring forward the attachment decision to when a loan is taken out, helping to make clear to borrowers their position at the time. The key aim is to give CU members greater certainty about their financial position. There were concerns in the event of a member defaulting on a loan. There is provision in the Credit Unions (NI Order 1985 for such a situation. This is outlined at paragraph 79 of the Department's summary of consultation responses.	The Committee is content with the Department's decision to accept this proposal.

Proposal 11 – Rejected by DETI Consider an increase in the 1% per month interest rate cap		
Explanation – NI credit unions may charge interest on loans but such interest shall be at a rate not exceeding 1% per month. The policy consultation proposed increasing this monthly interest rate cap from 1% to 3%.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Proposal not supported. There are serious concerns that the increased interest rate would result in reputational damage to the movement without any tangible benefits. **UFCU** Supports the proposal. Some concern that raising the limit is potentially contradictory to the core ethos of the credit union movement. However, general	**Post Consultation Decision** *Rejected* This would give CUs the freedom to increase rates if they so wish. CUs not wishing to avail of the provision ought not to be directly affected. However, a significant number of respondents believe an increase, even if not taken up, could damage the reputation and public perception of the sector. The consultation has not demonstrated an immediate need for this flexibility. The trade bodies reached agreement at post consultation discussion. Change can be made through subordinate legislation	The Committee is content with the Department's decision to reject this proposal.

consensus that most credit unions will not use the provision. The increased flexibility could potentially assist in the development of new products to compete with the rise of high-cost lending. **Joint ILCU/UFCU Oral Evidence (13th March 2014)** Although the UFCU did not object to the proposal, in oral evidence they stated that 100% of member CUs said that they would not use it. Both organisations agreed that it took away from the ethos of the CU movement. If there is ever a need for change in the future it can be done easily through subordinate legislation but it is not required at present. There is no business case and no established research to show that 3% will address the issue of high interest rates or payday lending.	if needed in the future. **DETI Oral Evidence (27th February 2014)** The ethos of the CU movement is cheap lending. There is no appetite for it at all. DETI is very much trying to reflect in the Bill what the movement wants. We should be able to take any future need to increase the rate through subordinate legislation. It was put to CUs to come to the Department if they feel there is a need in the future.	

Proposal 12 – CLAUSE 6 Investment in community development - relax the rules on application by credit unions of surplus towards social, cultural or charitable purposes		
Explanation – NI credit unions are permitted to apply up to 10% of surplus funds for social, cultural or charitable purposes. This, however, is only permitted as long as a dividend of not less than 3% is paid on all paid-up shares. The policy consultation proposed a relaxation of the dividend requirement.		
Comment and Suggestions	**Departmental Response**	**Committee View**
ILCU Supports the removal of the 3% limit as it is not currently realistic. The requirement prevents credit unions from making even a small financial contribution to the local community. **UFCU** Relaxation of the dividend limit would provide some additional scope to apply some surpluses for charitable purposes. Credit unions will be able to contribute more to local communities. Expertise in social finance is needed to ensure a credit union does not put its members' money at risk. **Joint ILCU/UFCU Oral Evidence (13th March 2014)**	**Post Consultation Decision** *Accepted* The consultation has emphasised the importance of community development to the sector and the difficulties resulting from current arrangements. Individual CUs will be free to decide whether or not to offer such support after the payment of dividends. At present, safeguards exist as the amount CUs can give to such causes is capped at 10% of surplus funds. It is proposed that this cap will still apply. **DETI Oral Evidence (27th February 2014)** It will be up to CUs to decide which groups they wish to allocate any surplus fund to. **DETI Written Response (13th March 2014)** In response to Committee request for clarity on church-based	The Committee is content with the Department's decision to accept this proposal.

It is up to the AGM of each credit union to decide where to allocate donations. That could be a church group. There is reluctance among some churches to accept the work that the CUs do. We are here to lobby for the removal of the 3% cap, because that debilitates everything and takes everything outside CU control. The current regime makes it almost impossible to allocate those funds back into the local community. It should be borne in mind that CUs were set up to put money back into local communities. If taxes and rates were to be reduced, CUs could invest more in communities.	organisations' eligibility to apply, the Department responded that the legislation does not exclude an individual or any organisation from either requesting funding or being nominated for funding as long as the purpose is for social, cultural or charitable purposes. Accordingly, as it is the purpose of the gift, rather than the recipient that is the limiting factor, there is nothing to prevent a church-based organisation benefitting from a donation for social, cultural or charitable purposes. The decision regarding acceptance of that donation would rest with the individual or organisation involved.	

<table>
<tr><th colspan="3">Proposal 13 – CLAUSE 7
Allow the application of company directors' disqualification legislation to credit unions</th></tr>
<tr><td colspan="3">Explanation – The Company Directors Disqualification (NI) Order 2002 makes possible disqualification of officers and members of the committee of management of credit unions, where they are found to be culpable. This provision applies only to the officers of certain credit unions - those registered under the Industrial and Provident Societies Act (Northern Ireland) 1969. It does not apply to credit unions registered under The Credit Unions (Northern Ireland) Order 1985.

The policy consultation proposed extending the relevant provisions of the Company Directors Disqualification (NI) Order 2002 to include those credit unions registered under the Credit Unions (Northern Ireland) Order 1985.</td></tr>
<tr><th>Comment and Suggestions</th><th>Departmental Response</th><th>Committee View</th></tr>
<tr><td>ILCU
Supported on the basis that this is a technical amendment which ensures that all Northern Ireland credit unions are subject to the same provision in this matter.
UFCU
Supported. It is a logical step. Ensuring good governance is vital in any organisation.</td><td>Post Consultation Decision Accepted
There was unanimous support for the proposal. It will address the existing gap in legislation.</td><td>The Committee is content with the Department's decision to accept this proposal.</td></tr>
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Proposal 14a – CLAUSE 9 Abolish the minimum age for membership of an IPS		
Explanation – Membership of an IPS is currently restricted to persons over 16 years of age. The policy consultation proposed abolishing this restriction, giving IPSs the freedom to set their own membership age limit in their registered rules.		
Comment and Suggestions	**Departmental Response**	**Committee View**
Support for this proposal was near unanimous, with 6 out of 7 respondents in favour. The one respondent not in favour did not expand on why this was the case and no specific concerns were expressed. Respondents in favour, or who did not object considered that removing the age limit could encourage young people to join existing societies and welcomed the freedom for individual IPSs to continue to specify that members should be aged 18 or over.	**Post Consultation Decision** *Accepted* This is a deregulatory measure and individual IPSs will be free to maintain the existing minimum age membership if they so wish, giving societies the flexibility to choose on membership according to their needs and circumstances **DETI Oral Evidence (27th February 2014)** There was not a desire for that proposal to proceed in relation to CUs but there was a strong response that IPSs would be content with it. In reaching our decision we considered that IPSs are very different entities to CUs. CUs look after money, and there are a lot of issues that mean that it would be better to leave the age limit where it is. The proposals are broadly based on the legislation in GB.	The Committee is content with the Department's decision to accept this proposal.

Proposal 14b – CLAUSE 9 Abolish the minimum age for becoming an officer of an IPS		
Explanation – At present, holding office of an IPS is restricted to persons aged 18 or over. The policy consultation proposed a reduction of this age limit from 18 to 16.		
Comment and Suggestions	**Departmental Response**	**Committee View**
Support for this proposal was again near unanimous, with only one respondent opposed. This respondent did not expand on why this was the case and no specific concerns were expressed.	**Post Consultation Decision** *Accepted* It is proposed to reduce from 18 to 16 the statutory minimum age at which persons can hold office in an IPS, but will enable individual IPSs to maintain the existing minimum age requirement if they so wish. This will offer IPSs the freedom to choose whether or not to admit younger members, and bring the law applying to IPSs in this regard into line with that applying to companies.	The Committee is content with the Department's decision to accept this proposal.

Proposal 15 – CLAUSE 10 Remove the £20,000 limit on holding of non-withdrawable IPS shares
Explanation – At present, no member of a Northern Ireland industrial and provident society may have a shareholding exceeding £20,000, except in certain limited circumstances. The policy consultation proposed the removal of this £20,000 limit in respect of non-withdrawable shares, the £20,000 limit

remaining in place for withdrawable shares. This is seen as an obstacle to productivity as it prevents members from investing more than £20,000 in the society, so allowing the society to expand and invest.		
Comment and Suggestions	**Departmental Response**	**Committee View**
All respondents bar one agreed with this proposal in principle. The one respondent in opposition did not give any reason for their position and no specific concerns were expressed. Respondents in favour, or who did not object, noted that the additional flexibility would offer IPSs new sources of funding and opportunities to develop new markets.	**Post Consultation Decision** *Accepted* Given the overwhelming support for this measure, it is proposed to remove the £20,000 shareholding limit from shares that are not withdrawable. It is not intended to define withdrawable and non-withdrawable in legislation, each IPS has the freedom to set the terms of withdrawable shares in their rules.	The Committee is content with the Department's decision to accept this proposal.

Proposal 16 – CLAUSE 13 Facilitate the easier dissolution of an IPS		
Explanation – At present, a solvent IPS wishing to dissolve must prepare an instrument of dissolution, which must be signed by not less than three quarters of the members of the society. As proposed in the policy consultation, a 'dormant' IPS could avail of an alternative, easier method for dissolution: • a 'special resolution' is required, which must be supported by two-thirds, rather than three-fourths, of those who vote; and • there is no requirement for at least half of the qualifying members of the society to have voted		
Comment and Suggestions	**Departmental Response**	**Committee View**
Views were mixed about this proposal with 3 out of 6 responses in favour. Although there was a welcome for a process that allows the dissolution of societies that are dormant, two respondents suggested further safeguards, and stressed the need for membership involvement in dissolution and the need to proceed carefully for those IPSs whose assets were purchased by and for a community.	**Post Consultation Decision** *Accepted* Currently, a dormant solvent IPS wishing to dissolve must secure the signatures of three quarters of the membership. Where the IPS has been inactive for a number of years, contact may have been lost with a proportion of members, making voluntary dissolution very difficult. Such IPSs, however, remain subject to the statutory requirement of submitting annual returns. This can be burdensome and it is therefore proposed to give dormant IPSs the alternative, easier method of dissolution by 'special resolution'.	The Committee is content with the Department's decision to accept this proposal.

	The proposal is to enable dormant societies to dissolve more easily, not to make dissolution easier generally. The amendment is a fair balance between the desire to facilitate easier dissolution where it is appropriate to do so and ensuring the procedure cannot be abused. As a safeguard, this procedure will not be permitted for active, productive IPSs but will apply only to dormant IPSs.	

Proposal 17 – CLAUSE 11 Allow IPSs to choose their own year-end date		
Explanation – IPSs are currently obliged to have a trading year-end between 31 August and 31 January. However, if the registrar is satisfied that special circumstances exist, approval can be given for a different year-end. The policy consultation proposed allowing societies to choose their own year-end.		
Comment and Suggestions	**Departmental Response**	**Committee View**
Six responses were received with 5 in support. The one respondent in opposition did not give any reason for their position and no specific concerns were expressed. Respondents in support, or who did not object, welcomed the additional flexibility for societies in choosing a year-end that suited their commercial and financial circumstances, and noted it would give IPSs greater latitude in choosing auditors.	**Post Consultation Decision** *Accepted* There is no longer any overriding rationale for this restriction, which may serve to prevent IPSs from, for instance, synchronising trading years with the tax year. Removal will therefore benefit the operations of IPSs, and bring the law applying to IPSs into line with company law. It is therefore proposed to introduce this change and allow IPSs to choose their own trading year end. It will not have any impact on existing societies who do not wish to change their year-end, while making it easier for those who do.	The Committee is content with the Department's decision to accept this proposal.

Proposal 18 – CLAUSE 12 Remove the requirement on IPSs to have interim accounts audited		
Explanation – IPSs publishing interim accounts are presently obliged to have those accounts audited. The policy consultation proposed the removal of this requirement, permitting IPSs to publish interim accounts provided they are clearly identified as unaudited and are published alongside the most recent audited accounts.		
Comment and Suggestions	**Departmental Response**	**Committee View**
All six respondents were in favour, noting the costs of the existing requirement and that companies are not subject to the same burden	**Post Consultation Decision** *Accepted* The current requirement may represent a disincentive to publish interim accounts, which is not in the interests of either financial	The Committee is content with the Department's decision to accept this proposal.

	transparency or individual IPS members. The mandatory auditing of interim accounts also comes at a cost to IPSs which, in the absence of compelling benefits, may be burdensome on the sector. This will align the law with that of credit unions. It will remove a burden on IPSs while ensuring the public is not misled.	

Proposal 19 – accepted and included in the Bill Title Update the expression 'industrial and provident society'		
Explanation – The policy consultation suggested updating the expression 'industrial and provident society', instead applying the terms 'co-operative society' or 'community benefit society' as required.		
Comment and Suggestions	**Departmental Response**	**Committee View**
The majority of respondents were in support of this proposal. Stakeholders advised that the change would add clarity and raise the profile of the sector, increasing awareness of co-operatives and community benefit societies as alternatives to companies. However, respondents not in favour noted the loss of an umbrella term, which could in future encompass additional forms of commercial enterprise.	**Post Consultation Decision** *Accepted* The expression 'industrial and provident society' is an umbrella term encompassing only two types of organisation: co-operative societies and community benefit societies. The term 'industrial and provident society', although a useful administrative shorthand, is not truly descriptive of either category of organisation, and could conceivably serve to confuse those not familiar with the sector. The terms 'co-operative society' and 'community benefit society' reflect more meaningfully the nature and activities of each organisation, and there is value in changing the nomenclature accordingly. This name change does not preclude the emergence in future of different forms of social or commercial enterprise. With support from stakeholders for the proposed change.	The Committee is content with the Department's decision to accept this proposal.