

Credit Unions (Amendment) Bill

[AS INTRODUCED]

LEGISLATIVE COMPETENCE

At Introduction the Minister for the Economy had made the following statement under section 9 of the Northern Ireland Act 1998:

“In my view the Credit Unions (Amendment) Bill would be within the legislative competence of the Northern Ireland Assembly.”

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A

BILL

TO

Amend the Credit Unions (Northern Ireland) Order 1985.

BE IT ENACTED by being passed by the Northern Ireland Assembly and assented to by His Majesty as follows:

Interpretation

The 1985 Order

1. In this Act, “the 1985 Order” means the Credit Unions (Northern Ireland) Order 1985.

5

Matters relating to membership

Minimum age

2.—(1) For Article 15 of the 1985 Order (members under the age of 18) substitute—

“Members etc. to be aged 18 or over

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15. A person who is under 18 years of age may not be—

(a) a member of a credit union, or

(b) a member of the board of directors or any committee, trustee, manager or treasurer of a credit union.”.

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(2) Notwithstanding the substitution made by subsection (1), Article 15 of the 1985 Order as it has effect immediately before the commencement day continues to apply in relation to—

(a) an existing membership of a credit union of a person who is under 18 years of age, and

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(b) an undetermined application for membership of a credit union made before the commencement day.

(3) In subsection (2), “the commencement day” means the day on which subsection (1) comes into operation.

Admission of family members

3.—(1) The 1985 Order is amended in accordance with subsections (2) to (4).

(2) In Article 3 (registration), in paragraph (6), for the words “same household as, and is a member of the family of,” substitute “family of”.

(3) In Article 14 (membership and voting rights), in paragraph (1), at the beginning of sub-paragraph (a) insert “subject to Article 14ZA,”

(4) After Article 14 insert—

“Membership through family connection

14ZA.—(1) This Article applies where, by virtue of Article 3(6), the rules of a credit union provide for the family members of members of the credit union to be treated as having the qualifications required for admission to membership stated in those rules.

(2) The number of members of a credit union who are admitted on or after the day on which this Article comes into operation by virtue of rules made in reliance on Article 3(6) must not exceed 5% of the total number of members.

(3) For the purpose of paragraph (2), in determining the total number of members in a credit union where shares are allotted to an individual who is a corporate member, the total is to be determined in accordance with Article 13(1A) and (1B) (membership rules: treatment of corporate members).

(4) Regulations may substitute a different percentage for the percentage specified for the time being in paragraph (2).”

Referral of members to other credit unions

4. Before Article 29 of the 1985 Order (promissory notes and bills of exchange), insert—

“Referral of members to another credit union

28E.—(1) A credit union may refer a person who is a member of the credit union to another credit union for that other credit union to provide the person with a service.

(2) A credit union may—

(a) only make a referral under paragraph (1) if its rules provide for it to do so;

(b) charge the person being referred a reasonable fee in respect of any administrative costs incurred by the credit union in connection with the referral.

(3) Where a referral is made under paragraph (1) in relation to a person—

(a) the credit union to which the person is referred may provide the person with the service to which the referral relates, and

- (b) the person is to be treated as a member of the credit union which provides the service to which the referral relates, but only for the purpose of the provision of the service and for as long as it is being provided.”.

5 **Register of members and officers**

5.—(1) The 1985 Order is amended as follows.

(2) In Article 54 (register of members and officers)—

- (a) in paragraph (3)(a), for the words from “paragraph (1)” to the end substitute “paragraph (1)(e) only”;
- 10 (b) in paragraph (3)(b), for the words from “the particulars in the register” to the end substitute “the particulars entered under paragraph (1)(e) only”;
- (c) in the opening words of paragraph (5), omit “or duplicate register”.

(3) In Article 55 (restriction on inspection of books), for paragraph (2)(b) substitute—

- 15 “(b) the particulars contained in the duplicate register kept under Article 54(3)(a) or, if no duplicate register is kept, the particulars in the register kept under Article 54(1)(e).”.

Transfers of engagements

20 6.—(1) In Article 66 of the 1985 Order (transfer of engagements between credit unions), after paragraph (5) insert—

“(6) Paragraph (7) applies where the engagements of a credit union (the “transferor credit union”) are transferred under paragraph (1) to another credit union (the “transferee credit union”).

25 (7) On and from the date on which the transfer of engagements takes effect—

- (a) the common bond of the membership of the transferee credit union is taken (for all purposes) to include the common bond of the membership of the transferor credit union, and

(b) the rules of the transferee credit union are amended accordingly.

30 (8) Article 10 does not apply to an amendment of rules effected by paragraph (7)(b).”.

(2) In Article 10 of the 1985 Order (amendment of rules to require resolution), in paragraph (1), after “such a resolution” insert “(but see Article 66(8) for a type of amendment to which this Article does not apply)”.

35 (3) For the avoidance of doubt, the amendments made by this section apply in relation to a transfer of engagements which takes effect under Article 66 of the 1985 Order on or after the commencement day by virtue of a special resolution (within the meaning of the 1985 Order) passed and confirmed before that day.

40 (4) In subsection (3), “the commencement day” means the day on which this section comes into operation.

*Carrying on of specified financial activities***Specified financial activities**

7.—(1) The 1985 Order is amended as follows.

(2) In Article 3 (registration)—

5 (a) after paragraph (2) insert—

“(2A) The objects of a credit union are—

(a) each of the mandatory objects specified in paragraph (3); or

(b) each of those mandatory objects together with the optional object specified in paragraph (3ZA).”;

10 (b) in paragraph (3), in the opening words, before “objects” insert “mandatory”;

(c) after paragraph (3) insert—

“(3ZA) The optional object of a credit union is to carry on one or more of the financial activities specified in Article 3ZA for the benefit of its members.”;

15 (d) in paragraph (3A), for “paragraph (3)” substitute “paragraphs (3) and (3ZA)”.

(3) After Article 3 insert—

“Specified financial activities

20 **3ZA.**—(1) The financial activities specified for the purposes of the optional object of a credit union (see Article 3(3ZA)) are—

(a) entering into conditional sale agreements, as the seller;

(b) entering into hire purchase agreements, as the person from whom goods are bailed;

(c) insurance distribution activities.

25 (2) Regulations may specify requirements or restrictions in relation to the carrying on by a credit union of a financial activity specified in paragraph (1).

Power to specify further financial activities

3ZB.—(1) Regulations may—

30 (a) amend Article 3ZA to specify further financial activities for the purposes of the optional object of a credit union;

(b) amend this Order, or any other statutory provision, in consequence of any provision made under paragraph (a).

35 (2) Amendments made by regulations under paragraph (1) may, in particular, provide that a credit union may carry on a financial activity specified in the regulations if the credit union has the optional object specified in Article 3(3ZA).

(3) Regulations under Article 3ZA(2) made in relation to a financial activity specified in regulations under paragraph (1) may, in particular, make

provision about fees or other charges payable in respect of the activity or activities that are ancillary to the activity.

(4) Before making regulations under this Article, the Department must consult such persons as appear to it to be appropriate.”.

- 5 (4) The Schedule contains further amendments to the 1985 Order in connection with subsections (2) and (3).

Operation of a credit union

Deferred shares

- 8.—(1) The 1985 Order is amended as follows.
- 10 (2) In Article 2 (interpretation), after paragraph (3) insert—
- “(3A) In this Order, references to deferred shares are to a class of shares where—
- 15 (a) the rights and obligations of the credit union and the member in respect of those shares are set out in a single document, or in a series of documents (“the issue documents”);
- (b) each of the issue documents is provided to every applicant for the shares;
- 20 (c) one of the issue documents contains a prominent statement to the effect that the shares are deferred shares for the purposes of this Order;
- (d) each of the issue documents contains a prominent statement stating whether the shares are, or are not, an investment covered by the Financial Services Compensation Scheme (see section 213 of the 2000 Act);
- 25 (e) any document evidencing title to the shares contains the statements required by sub-paragraphs (c) and (d);
- (f) one of the issue documents contains a term which prohibits the repayment of any principal to the shareholder except in Case A or Case B.
- 30 (3B) Case A is the winding up or dissolution of the credit union in circumstances where all sums due from the credit union to creditors claiming in the winding up or dissolution are paid in full.
- (3C) Case B is where—
- 35 (a) the credit union applies to the appropriate authority for consent to repay the principal to the shareholder,
- (b) the credit union so applies otherwise than in consequence of a provision in any of the issue documents which requires it to apply, grants it any benefit for applying or imposes a sanction against failure to apply, and
- 40 (c) the appropriate authority grants consent.
- (3D) “Creditors” in paragraph (3B) includes members holding shares in the credit union, other than deferred shares, as regards the principal of those shares and any interest or dividend due on them.

(3E) If the definition of “deferred shares” in the Building Societies Act 1986 or an instrument made under that Act is modified, regulations may make a corresponding modification to the meaning of deferred shares in this Article.”.

5 (3) In Article 14A (corporate members), after paragraph (6) insert—

“(6A) In this Article “shares” means shares other than deferred shares.”.

(4) In Article 18 (proceedings on death of nominator)—

(a) in paragraph (1), after “either transfer to him, or” insert “(except where the property consists of deferred shares in the credit union)”;

10 (b) after paragraph (2) insert—

“(2ZA) References in paragraph (2) to shares do not include deferred shares.”;

(c) in paragraph (2A)—

(i) the words from “is to be read” to the end become sub-paragraph (a);

15 (ii) after that sub-paragraph insert—

“(b) is to the shareholding excluding any deferred shares.”.

(5) In Article 23 (shares)—

(a) in paragraph (2)—

20 (i) in the opening words, after “credit union” insert “which are not deferred shares”, and

(ii) in the closing words, at the end insert “to which this paragraph applies”;

(b) after paragraph (2) insert—

25 “(2ZA) Deferred shares in a credit union are transferable in accordance with the rules of the credit union or in accordance with Article 18(1).”;

(c) in paragraph (2A), in the opening words, after “Shares” insert “(other than deferred shares)”;

(d) in paragraph (3), after “shares in a credit union” insert “(other than deferred shares)”;

30 (e) in paragraph (5)(a), at the end insert “excluding any deferred shares”;

(f) after paragraph (5) insert—

“(6) If deferred shares are subscribed for in full, the credit union must transfer a sum equal to the amount paid on those shares to its reserves.”.

(6) In Article 28 (loans)—

35 (a) after paragraph (1A) insert—

“(1AA) Paragraph (1) does not apply in relation to a member holding only deferred shares.”;

(b) in paragraph (1F)(a), after “credit union” insert “excluding any deferred shares”.

(7) In Article 28A (loans to be treated as secured), in paragraph (1)(b), after “credit union” insert “, excluding any deferred shares,”.

(8) In Schedule 1 (matters to be provided for in rules of credit union), after paragraph 11A insert—

5 “11B Provision—

(a) setting out the conditions which must be met for the transfer of deferred shares, and

(b) about the means by which and manner in which the credit union may be satisfied that those conditions are met.”.

10 **Charging for ancillary services**

9. After Article 26 of the 1985 Order (deposits by persons too young to be members) insert—

“Power to charge for ancillary services

15 **26A.**—(1) A credit union may charge a fee of such amount as it considers appropriate for providing an ancillary service to—

(a) a member of the credit union, or

(b) a person from whom the credit union has accepted a deposit by virtue of Article 26 (persons too young to be members).

(2) In this Article, “ancillary service” means—

20 (a) in relation to a member of a credit union, any service which is ancillary to—

(i) accepting a deposit;

(ii) making a loan;

(iii) entering into a conditional sale agreement as the seller;

25 (iv) entering into a hire purchase agreement as the person from whom goods are bailed;

(b) in relation to a person mentioned in paragraph (1)(b), any service which is ancillary to accepting a deposit.

(3) Examples of ancillary services include—

30 (a) the making or receiving of payments, made by way of standing order, direct debit or any other means, as agent for the person from whom the credit union has accepted a deposit;

(b) issuing and administering means of payment (for example, debit cards);

35 (c) money transmission services;

(d) giving advice on the services specified by sub-paragraphs (a) to (c).”.

Loan participation

10. After Article 28A of the 1985 Order (loans to be treated as secured) insert—

“Loan participation

28AA.—(1) One or more credit unions may participate in a loan made by another credit union under Article 28 (subject to the agreement of that other credit union).

5 (2) A credit union may participate in a loan under paragraph (1) for any purpose it considers appropriate.

(3) A credit union participates in a loan under paragraph (1) upon such security (or without security) and terms as the rules of the credit union may provide.”.

10 **Clarification of powers to hold land**

11.—(1) In Article 32 of the 1985 Order (holding of land), in the opening words of paragraph (1)—

(a) after “for the purpose of conducting its business on the land” insert “or on any part of the land”;

15 (b) after “dispose of any such land” insert “or any part of such land”.

(2) Article 32 of the 1985 Order is to be treated as having always had effect with the amendments made by subsection (1).

Application of surplus

20 **12.**—(1) In Article 36 of the 1985 Order (application of surplus), for paragraph (5) substitute—

“(5) The total sum applied for the purposes mentioned in paragraph (3)(c) out of the amount available for distribution in respect of any year of account may not exceed 10% of that amount.”.

25 (2) The substitution made by subsection (1) applies only in relation to a year of account (within the meaning of the 1985 Order) that begins on or after the day on which this section comes into operation.

*Miscellaneous***Remote meetings**

30 **13.** In Article 2 of the 1985 Order (interpretation), in paragraph (2), in the definition of “meeting”—

(a) the words “a meeting of delegates appointed by members” become paragraph (a), and

(b) after paragraph (a) insert—

35 “(b) a meeting at which some or all of the participants attend remotely;”.

Use of name “credit union”

14. In Article 6 of the 1985 Order (use of name “credit union”, etc.), in paragraph (2), after ““Limited”” insert “(or “Ltd.”)”.

Appointment and removal of auditors: procedure

15.—(1) Article 45 of the 1985 Order (resolutions relating to appointment and removal of auditors) is amended as follows—

- 5 (a) in the closing words of paragraph (1), for “28 days” substitute “a specified number of days”;
- (b) in paragraph (3)—
 - (i) for “14 days” substitute “a specified number of days”, and
 - (ii) for the words from “either by advertisement” to the end substitute “in any way allowed by the rules of the credit union”;
- 10 (c) after paragraph (9) insert—

“(10) In this Article, “specified number” means a number of days specified by regulations.”.

(2) The amendments made by subsection (1) apply only in relation to a notice given under Article 45(1) of the 1985 Order (notice of intention to move resolution) on or after the day on which this section comes into operation.

Orders and regulations under the 1985 Order

- 16.**—(1) The 1985 Order is amended in accordance with subsections (2) to (5).
- (2) In each of the following provisions, for “order” substitute “regulations”—
- 20 (a) Article 14A(7);
 - (b) Article 23A(4);
 - (c) Article 28(1B).
- (3) In each of the following provisions, for “an order may specify” substitute “as may be specified by regulations”—
- 25 (a) Article 28(5);
 - (b) Article 36(4).
- (4) Before Article 78A (incidental, transitional, etc. provision) insert—

“General provision about regulations under this Order

- 78ZA.**—(1) Regulations made by the Department under this Order are subject to negative resolution unless paragraph (2) applies to the regulations.
- 30 (2) This paragraph applies to any regulations containing (whether alone or with other provision) provision made under Article 3ZB(1), 14ZA(4), 14A(7), 23A(4), 28(1B) or (5), 28F(2)(b) or (7) or 36(4).
- (3) The Department may not make regulations to which paragraph (2) applies unless a draft of the regulations has been laid before, and approved by a resolution of, the Assembly.
- 35 (4) Regulations under this Order may include such incidental, transitional, transitory or saving provision as the Department considers appropriate.”.
- (5) In consequence of the amendments made by subsections (2) to (4)—
- (a) in Article 2 (interpretation), in paragraph (2)—
 - 40 (i) omit the definition of “order”;

(ii) in the definition of “regulations”, omit “subject to negative resolution”;

(b) omit Article 78A (incidental, transitional etc. provision).

5 (6) The amendments made by this section do not apply to or affect the validity of any order or regulations made by the Department under the 1985 Order before the day on which this section comes into operation.

General

Commencement

17.—(1) The provisions of this Act come into operation on the day after the day on which this Act receives Royal Assent except for section 15.

10 (2) Section 15 comes into operation on such day as the Department for the Economy may by order appoint.

Short title

18. This Act may be cited as the Credit Unions (Amendment) Act (Northern Ireland) 2027.

SCHEDULE

Section 7

AMENDMENTS IN CONNECTION WITH SECTION 7

1. The 1985 Order is amended as follows.

5 2. In Article 2 (interpretation)—

(a) after the definition of “civil partner” in paragraph (2) insert—

““conditional sale agreement” means an agreement for the sale of goods under which—

(a) the purchase price or part of it is payable by instalments, and

10 (b) the property in the goods is to remain with the seller (notwithstanding that the buyer is to be in possession of the goods) until such conditions as to the payment of instalments or otherwise as may be specified in the agreement are fulfilled;”;

(b) after the definition of “the FCA’s seal” in paragraph (2) insert—

15 ““hire purchase agreement” means an agreement—

(a) which is not a conditional sale agreement,

(b) under which goods are bailed to a person (“P”) in return for periodical payments by P, and

20 (c) the property in the goods will pass to P if the terms of the agreement are complied with and one or more of the following occurs—

(i) the exercise by P of an option to purchase the goods;

(ii) the doing by any party to the agreement of any other act specified in the agreement;

25 (iii) the happening of any event specified in the agreement;”;

(c) before the definition of “interest-bearing share” in paragraph (2) insert—

““insurance distribution activity” means any of the activities mentioned in paragraph (2B) (as interpreted in accordance with paragraph (2C));”;

(d) after paragraph (2A) insert—

30 “(2B) For the purposes of the definition of “insurance distribution activity” in paragraph (2), the activities referred to in that definition are—

(a) dealing in rights under a contract of insurance as agent;

(b) arranging deals in rights under a contract of insurance;

35 (c) assisting in the administration and performance of a contract of insurance;

(d) advising on buying or selling rights under a contract of insurance;

(e) agreeing to do any of the activities specified in sub-paragraphs (a) to (d).

(2C) Paragraph (2B) must be read with—

40 (a) section 22 of the 2000 Act;

- (b) any relevant order under that section, and
- (c) Schedule 2 to that Act.”.

3.—(1) In Article 4 (supplementary provisions as to registration), in paragraph (3)—

- 5 (a) for “those” substitute “the mandatory objects”;
- (b) after “Article 3(3)” insert “(whether or not the society also has the optional object specified in Article 3(3ZA))”.

(2) In Article 23 (shares)—

- (a) in paragraph (3), for “paragraph (4)” substitute “paragraph (4A)”;
- 10 (b) for paragraph (4) substitute—
 - “(4) Paragraph (4A) applies where a credit union has—
 - (a) made a loan to a member which is treated by virtue of Article 28A as a secured loan, or
 - (b) entered into an agreement mentioned in Article 28F(1) with a member,
 - 15 which is treated by virtue of Article 28G as a secured agreement.

(4A) The member must not be permitted to withdraw shares where the member’s paid-up shareholding in the credit union, excluding any deferred shares, is, or following the withdrawal would be, less than the member’s total liability.”.

20 4. After Article 28E (inserted by section 4) (referral of members to another credit union) insert—

“Conditional sale and hire purchase agreements

25 **28F.**—(1) If the objects of a credit union include the optional object specified in Article 3(3ZA) it may (subject to such terms, including as to security, as its rules may provide)—

- (a) enter into a conditional sale agreement, as the seller, with a member of the credit union, or
- (b) enter into a hire purchase agreement, as the person from whom goods are bailed, with a member of the credit union.

30 (2) A credit union may only enter into an agreement mentioned in paragraph (1) with a corporate member if—

- (a) the credit union’s rules provide that it may do so, and
- (b) entering into the agreement would not result in the aggregate of the outstanding balances under all such agreements made by the credit union with corporate members exceeding 10% of the aggregate of the outstanding balances under all such agreements made by the credit union with members, or such higher percentage as may be specified by regulations.
- 35

(3) Paragraph (4) applies where—

- 40 (a) an agreement mentioned in paragraph (1) is entered into by a credit union with a member, and

(b) the agreement is not a secured agreement within the meaning of Article 28G.

(4) The terms of the agreement must include provision as to whether, for the duration of the agreement, the member is permitted to withdraw shares where the member's paid-up shareholding in the credit union, excluding any deferred shares, is, or following the withdrawal would be, less than the member's total liability (including contingent liability) to the credit union.

(5) Any interest charged under an agreement mentioned in paragraph (1)—

(a) must not exceed the rate specified in paragraph (6), and

(b) must be inclusive of all administrative and other expenses incurred in connection with the making of the agreement.

(6) The rate specified in this paragraph is 3% per month on the sum outstanding under the agreement.

(7) Regulations may amend paragraph (6) to substitute a different rate for the rate that is for the time being specified.

Agreements to be treated as secured

28G.—(1) This paragraph applies where—

(a) a credit union enters into an agreement mentioned in Article 28F(1) with a member of the credit union, and

(b) at the time the agreement is entered into, the member's paid-up shareholding in the credit union, excluding any deferred shares, is equal to or greater than the member's total liability (including contingent liability) to the credit union.

(2) On the application of the member to the credit union, the agreement is to be treated for the purposes of this Order as a secured agreement.”.

5. After Article 28G of the 1985 Order (inserted by paragraph 4) insert—

“Insurance distribution activities

28H. If the objects of a credit union include the optional object specified in Article 3(3ZA), it may (subject to such terms as the rules of the credit union may provide)—

(a) carry on an insurance distribution activity which constitutes or involves the provision of a service to a member, and

(b) charge such fee as it considers appropriate for providing the service.”.

6. In Article 32 (holding of land), for paragraph (2) substitute—

“(2) A credit union may hold any estate in land so far as is necessary for the purpose of—

(a) making loans to its members on the security of an estate in land and of enforcing such security; or

(b) entering into agreements mentioned in Article 28F(1) with members on the security of an estate in land and of enforcing any such security.”.

7. In Schedule 1 (matters to be provided for in rules of credit union), in paragraph 2, for “Article 3(3)” substitute “Article 3(2A)”.

Credit Unions (Amendment) Bill

[AS INTRODUCED]

A Bill to amend the Credit Unions (Northern Ireland) Order 1985.

Introduced by: Dr Caoimhe Archibald, Minister for the Economy

On: 19 October 2026

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