

1979 ACT and LRO
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CREDS – CURG
/
MODEL RULES
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CREDIT UNION'S OWN RULES – BOARD DECISIONS

COMMON BONDS

Five common bonds derived from sections 1 & 1A 1979 ACT – occupation, employer, resident, organisational/associational, any other bond approved by the Authority.

MEMBERSHIP QUALIFICATIONS FOR INDIVIDUALS

Occupation - must identify particular employer(s).

Board to decide whether being employed includes part-time, self employed, casual, volunteer, at school or in further education.

Resident - natural geographical or administrative area –e.g. principal tier of local government such as unity authorities, county councils, several local authorities, single cities, London boroughs, counties, BUT potential member numbers must not exceed 2 million and members must be able to participate in votes, serve on the board, have access to the credit union's services.

Associational – being a member of a bona fide organisation or being associated with the members of the society in some other way. Must be clear how people are associated.

Bond approved by Authority – has approved additional common bond types in past, but unlikely to do so in the future due to scope of 'otherwise associated' and the ability to combine common bond types.

Common bonds must be specific and could be various combinations:

- Plumber, or living in Y local authority
- Made up of more than one common bond listed – e.g. plumber and resident of Y local authority.
- Made up of plumbers and electricians; residents of Y and Z local authorities.

Family members – remain unchanged. Definitions of relative includes a spouse (including a former spouse and reputed spouse) and illegitimate children and step-children are treated as legitimate.

Non-qualifying members – unless the credit union's rules provide otherwise, there is no limit on the number of non-qualifying members.

MEMBERSHIP QUALIFICATIONS FOR CORPORATES

Can only admit corporate members, if such a membership qualification is in the registered rules.

Three types of corporate members:

Body corporate – can be a member in its own name.

Partner acting for a partnership – partner must represent members

Trustee acting for an unincorporated association – trustee must represent members

(but eligibility is based on the partnership or association – not the person who represents that organisation. However they can also be individual members in their own right providing they are in the common bond.)

The membership qualification for corporate members:

Occupation – must employ people who follow that occupation or relate to that occupation in some other way.

Employment – must itself be the employer, or provide services to that employer, or otherwise be related to that employer.

Resident – must have a place of business in the locality or have some other significant connection with that locality.

Associational - must belong to a bona fide organisation or be associated with the members of the society in some other way.

A common bond approved by Authority – must relate to members of the credit union in the way specified by the Authority's approval.

Other rules relating to corporate membership

- Total number of corporate members must not exceed 10% of the total number of members
- A corporate member holding only deferred shares counts towards both the total number of members and the total number of corporate members.
- Shareholding (of withdrawable shares) of corporate members must not exceed 25% of the total shareholding as shown in the balance sheet of the credit union's previous annual return. Deferred shares do not count towards either total.
- Loans can only be made if the registered rules provide for this. Such loans must not exceed 10% of the aggregate of outstanding balances on all loans to members. A loan to another credit union does not count towards the above calculation, unless the borrowing credit union is a member of the lending credit union
- The credit union's rules must provide for termination of membership and repayment of shares.

OTHER MATTERS

Statutory Declaration

Credit unions may make a statutory declaration that common bond requirements have been met and the Authority may accept this as sufficient evidence, though it is not bound to do so. If there is no statutory declaration, the Authority will need to obtain other evidence.

Existing membership qualifications re locality when the LRO comes into force

If an existing credit union has an involvement with a locality and more than 2 million are eligible for membership, then it will need to amend the membership qualifications in its rules, unless there are extraordinary circumstances. Similarly it will need to amend its membership qualifications if the credit union cannot serve all the eligible members.