



Mutual Societies Information Note

New registrations and conversions:
co-operative societies and community benefit societies

Please take time to read these notes carefully. They will help you to fill in the form correctly.

These notes are for information only. They are not a full statement of legal obligations under the relevant legislation. The society may wish to seek legal advice on how to comply with the legislation.

If after reading these notes you need more help, please:

- check our website for more information on Mutual Societies: www.fca.org.uk/mutuals
- email mutual.societies@fca.org.uk; or
- call the Contact Centre on 0845 606 9966.

Terms in this form

'FCA', 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

'Working men's club' is a society registered under the Friendly Societies Act 1974 and set up for the statutory purposes of 'social intercourse, mutual helpfulness, mental and moral improvement and rational recreation'.

'Specially authorised society' is a society registered under the Friendly Societies Act 1974 and which is set up for any purpose which the Treasury has authorised as a purpose to which the provisions of the Friendly Societies Act 1974 ought to be extended (such as the 'promotion of lawful sports and games').

'Benevolent society' is a society registered under the Friendly Societies Act 1974 and which is set up for any benevolent or charitable purpose.

'Public trustee' – office established under the Public Trustee Act 1906 and empowered to act for the state as trustee.

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014

'The 1974 Act' is the Friendly Societies Act 1974.

Legislation and what to expect

Co-operative and Community Benefit Societies Act 2014

Under the 2014 Act a society is registered as a:

- co-operative society; or
- community benefit society.

Collectively these are referred to as 'registered societies'. Since 1 August 2014 it has not been possible to register a new 'industrial and provident society'. All societies that were previously registered as 'industrial and provident societies' are also referred to as 'registered societies'.

Friendly Societies

Certain societies registered under the Friendly Societies Act 1974 can convert to become a registered society under the 2014 Act:

- working men's clubs
- benevolent societies
- specially authorised societies.

Section 84A of the Friendly Societies Act 1974 enables these societies to convert to registered societies.

Companies Act 2006

A company registered under the Companies Act 2006 may convert into a registered society. Section 115 of the 2014 Act enables this.

What to expect

If we register the society we will send you confirmation of that registration.

If we have any questions we will contact. Please provide an email address if you have one.

Financial costs of registration

Before applying to register a society, you will need to consider not only the initial start-up costs but also the potential costs of running a society. You should make sure that money is available to meet these commitments. It might be useful to consider costs under the following broad headings:

- **fee for registration (see question 16);**
- **sponsoring body fee(s) (where appropriate) - see question 15; and**

- **annual running costs, accountant's fees, annual audit fee (where appropriate), and the periodic fee.** See www.fca.org.uk

Obligations of registration

A society must:

- be carrying on a business, industry or trade
- have at least 3 members (unless it has only two members who are both registered societies)
- provide rules that make provision for all of the matters required by s14 of the 2014 Act; and
- use a name that complies with the criteria in our [information note](#) on names.

As a consequence of registering under the 2014 Act a society will be able to make use of certain rights provided for under the applicable legislation, which include:

- **Corporate body status.** While registered the society will have perpetual succession. This means it will continue to exist even if its membership changes. The society can also act, sue and be sued in its own name. And it can own property and land without the need for trustees.
- **Limited liability.** The personal liability of members is limited to the amount of their unpaid share capital, except where any personal guarantees have been given.

Applicants should also note that:

- The society's rules are binding on its members.
- A society can sue and may be sued, that means that, just like private individuals, the society can enter into contracts as well as vary them and discharge them.
- Debts due to the society from members are recoverable through a court of law. The society has a lien on a member's shares for any debt due by the member and may set off any sum credited on the shares in or towards payment of the debt.
- The officers of the society may be liable for prosecution if they direct the society so that it and/or the officers commit one of the offences set out in the 2014 Act.

Once registered, a society must comply with all its requirements under the applicable legislation, including requirements to.

- **keep proper books of account and maintain satisfactory systems of control of its books, cash holdings and all receipts and payments;**
- **submit an annual return every year, by the due date, accompanied by a set of accounts;**
- **give notice of any change of its registered office;**
- **apply to the us to amend any of its rules or to change its name, as no amendment is valid until it has been registered by us;**
- **be run strictly in accordance with its registered rules; and**
- **inform us if it no longer wishes to be registered.**

Details of registration

This section will help you to complete the form.

1 What are you applying to do?

You need to tell us what type of society you seek to register as/convert to.

Register a society

Co-operative society

Co-operative societies are formed primarily to benefit their own members, who will participate in the primary business of the society.

To satisfy us that it will be a bona fide co-operative, a society will normally have to fulfil the following conditions, the first four of which also reflect the International Co-operative Alliance's Statement on the Co-operative Identity:

- **Community of interest** - There should be a common economic, social or cultural need or interest among all members of the co-operative.
- **Conduct of business** - The business will be run for the mutual benefit of the members, so that the benefit members obtain will stem principally from their participation in the business. Participation may vary according to the nature of the business and may consist of:
 - buying from or selling to the society;
 - using the services or amenities provided by it; or
 - supplying services to carry out its business.
- **Control** - Control of the society lies with all members. It is exercised by them equally and should not be based, for example, on the amount of money each member has put into the society. In general, the principle of 'one member, one vote' should apply. Officers of the society should generally be elected by the members who may also vote to remove them from office.
- **Interest on share and loan capital** - Where part of the business capital is the common property of the co-operative, members should receive only limited compensation (if any) on any share or loan capital which they subscribe. Interest on share and loan capital must not be more than a rate necessary to obtain and retain enough capital to run the business. Section 2(3) of the 2014 Act states that a society may not be a bona fide co-operative if it carries on business with the object of making profits mainly for paying interest, dividends or bonuses on money invested with or lent to it, or to any other person.
- **Profits** - If the rules of the society allow profits to be distributed, they must be distributed among the members in line with those rules. Each member should receive an amount that reflects the extent to which they have traded with the society or taken part in its business. For example, in a retail trading society or an agricultural marketing society, profits might be distributed among members as a dividend or bonus on purchases from or sales to the society. In other societies (for example, social clubs) profits are not usually distributed among individual

members but members benefit through cheaper prices or improvements in the amenities available.

- **Restriction on membership** - There should normally be open membership. This should not be restricted artificially to increase the value of the rights and interests of current members, but there may be grounds for restricting membership in certain circumstances, which do not offend co-operative principles. For example, the membership of a club might be limited by the size of its premises, or the membership of a self-build housing society by the number of houses that could be built on a particular site.

We may cancel a society's registration if at any time it appears that the society no longer complies with the conditions of registration.

Community benefit society

We will normally expect a society to fulfil these conditions:

- **Conduct of business** - The business must be run primarily for the benefit of people who are not members of the society, and must also be in the interests of the community at large. It will usually be charitable or philanthropic in character.
- **Interest on share and loan capital** - It is unusual for a community benefit society to issue more than nominal share capital (for example, one £1 share per member). Where it does issue more than nominal share capital or where members make loans to the society, or both, any interest paid must not be more than a reasonable rate necessary to obtain and retain enough capital to run the business.
- **Profits and assets** - The society's rules must not allow either profits or the society's assets to be distributed to the members. Profits must generally be used to further the objects of the society by being ploughed back into the business. Where profits are used in part for another purpose, that purpose should be similar to the main object of the society, for example for philanthropic or charitable purposes. The rules must specify the beneficiary or beneficiaries, if any.

Where the rules of the society allow assets to be sold, the proceeds of the sale should be used to further the society's business activities only.

- **Dissolution** - The society's rules must not allow its assets to be distributed to its members on dissolution. The rules should state that on dissolution the assets should be transferred, for example, to some other body with similar objects. If no such body exists, the rules should state that the assets must then be used for similar charitable or philanthropic purposes.

If a society with a registered address in England and Wales has exclusively charitable purposes for the public benefit it is an 'exempt charity'. This means it cannot be registered with the Charity Commission but it is still subject to charity law. For details on these points societies are encouraged to contact the Charity Commission.

A society which has its registered office situated in Scotland must register with the Office of the Scottish Charity Regulator in order to be recognised as a

charity. For details on these points societies are encouraged to contact the Office of the Scottish Charity Regulator.

We may cancel a society's registration if at any time it appears that the society no longer complies with the conditions of registration.

Convert a friendly society into a co-operative society or community benefit society

Members of the following type of friendly society can consent to converting the friendly society into a co-operative society or a community benefit society:

- working men's clubs
- benevolent societies
- specially authorised societies.

Societies should read our definitions set out on the previous pages before deciding which type of society to convert to.

On registration, all officers of the society, apart from its trustees, will become officers of the co-operative society or community benefit society. However, since the legislation does not envisage trustees for co-operative societies and community benefit societies any appointments of trustees of the friendly society will come to an end.

Process:

Societies must follow the process detailed in the legislation. In summary, the legislation requires that:

- members must consent to the proposal to convert the society in the same way as they would agree to amend the society's registered rules.
- an officer of the society should make a statutory declaration before a:
 - solicitor,
 - commissioner of oaths
 - notary public; or a
 - justice of the peace.

You can find the statutory declaration at Appendix 2.

- send the signed forms and rules to us. We will consider the application. If we are satisfied that the relevant conditions for registration are met we will register the society. Its registration under the 1974 Act will be cancelled without the need for any further action by the society.

Transfer of all property and documents

Within 90 days from the day on which a society registered under the Friendly Societies Act 1974 is converted to a society under the 2014 Act:

- the former trustees of the society must deliver any property of the registered society that they hold, as well as any documents relating to the property, rights and liabilities of the registered society or its financial affairs, to the registered office of the registered society; and
- if the public trustee holds property in trust for the society, they shall deliver the property they hold and any documents relating to it to the registered office.

However, the trustees of a registered society or the public trustee shall not be relieved from any liability from acts or omissions before the conversion.

Annual returns

If the conversion of the society takes place during the friendly society's financial year, and at the end of that year it is a society registered under the 2014 Act, then it shall submit an annual return for a 2014 Act society.

If the conversion takes place at the end of the friendly society's financial year end then the annual return will be the one that would have been required by the 1974 Act.

Convert a company into a co-operative society or community benefit society

A company can convert to become a co-operative society or a community benefit society. Please refer to our definition of a co-operative society and a community benefit society in the earlier pages to determine which type of society to convert to.

Companies must follow the process set out in legislation. In summary, the legislation requires a company seeking to convert to:

- pass a special resolution which
 - is accompanied by the society's rules; and
 - appoints 3 members of the company to:
 - sign the rules, along with the company secretary (or, where the company does not have a secretary, a company director)
 - provides that either:
 - the three appointed members may accept any alterations made by the FCA without further consulting the company; or
 - that the appointed members must lay any such alterations before the company in general meeting for acceptance.
- send a copy of the special resolution and the society's rules to the FCA
- not include the word "company" in the proposed name of the society.

On receipt of the resolution, rules and this application form we will assess the application. If we register the new society we will:

- give an acknowledgement of registration
- certificate confirming that the society's rules have been registered; and
- send confirmation of registration to Companies House.

Upon registration by the FCA as a society the registration of the company becomes void and must be cancelled by Companies House.

2 Details of the society that is currently registered under the Friendly Societies Act 1974**Name of current society (if converting)**

You must use the full registered name; please do not use abbreviations.

Register number of society

The register number is the number the society was given when it was registered. If you are not sure what this is please search on the Mutuals Public Register at <http://mutuals.fsa.gov.uk> using the name of your society.

3 Contact details for communications about this application

Please ensure you include the postcode and a contact number and an email address. This will make it easier for us to contact you if we require further information.

4 Does the society have any timing factors that it would like us to consider?

The time taken to determine each application is significantly affected by the quality of the application submitted and whether it is complete.

Our service standard for mutual societies is to register 90% of valid applications within 15 working days.

Since we receive a large number of applications each year and need to examine each carefully, please ensure any application is submitted in good time to resolve any problems that may arise, particularly if you have a preferred registration date in mind.

Please do not simply write 'ASAP'. This is assumed unless stated otherwise.

5 You must attach the following:

Two copies of the proposed society's rules (or one copy if submitted electronically), signed at the end by 3 members and by the society Secretary.

The legislation requires that rules are signed by 3 members **and** the Secretary i.e. 4 signatures in total. The same people must sign both the rulebooks and the application form, and the signatures must be originals – not photocopies.

Where submitting electronically, please ensure you submit a scanned copy of signed rules.

Our role is to register rules that are capable of registration under the 2014 Act and to reject those that are not.

It is not our role to advise whether a rule is in a society's best interests. That is for the society's members and its professional advisers to decide.

6 What is the full proposed name of the society?

Please see our 'Names' information note for further guidance.

7 What business, industry or trade does the society intend to carry out?

All societies must be carrying out a business industry or trade. Please specify this here. Please ensure you include sufficient information to allow us to be satisfied that the society meets the conditions for registration. Answers must be specific to the applicant.

Societies cannot exist with the object to make profit mainly for the payment of interest, dividend or bonuses on money invested or deposited with, or lent to, the society or any other person.

8 How will the society fund its activities?

If the society proposes to issue withdrawable share capital please state whether the society intends to pay interest on the share capital and, if so, how the society will determine the rate of interest to be offered.

9 What date does the society want to end its financial year on?

If you want a specific financial year end date please specify below. If left blank the society will be registered with a financial year ending on the last day of the month it was registered.

Societies can choose their own financial year end date, subject to these conditions:

- A society must have an accounting year of at least 6 months.
- No society's accounting year may extend beyond 18 months.

Questions 10 to 14 should only be answered if you are applying to register a co-operative society.

If you are registering a community benefit society please go to question 15.

Co-operative Societies**10 How will members benefit from the business industry or trade of the society?**

Co-operative societies are formed primarily to benefit their own members. Please explain what the benefits of membership will be.

11 Is membership of the society required to obtain the benefits offered by it?

Please indicate whether the benefits the society offers are only available to members.

12 In what way will members participate in an ongoing basis in the society's primary business?

For example, will they have a trading relationship with the society, or will they be its employees? We would expect the information provided here to be the reason members will wish to join the society.

13 How will members democratically control the society?

We expect to see democratic member control. Please explain here how that will operate in your society.

If you are seeking to move away from the principle of one member one vote, please explain why, and how this is consistent with being a co-operative.

14 How will the society use any surplus/profit?

If the society intends to distribute the surplus/profit to members please explain how this is to be done.

Each member should receive an amount that reflects the extent to which they have traded with the society or taken part in its business.

Community benefit societies

15 Who are the community the society intends to benefit?

Please state who the community of benefit is. For instance, if the society is seeking to serve a local geographical community please refer to that.

16 How will the society benefit that community?

Please state how the society will benefit the community described above.

17 How will the society use any surplus/profit?

Please state how the society intends to use any surplus/profit. We expect any surplus or profit to be used for the benefit of the community.

18 Are the society's objects charitable?

'Charitable' is as defined in charity law.

If 'yes' you will need to complete Appendix 1.

19 Does the society intend to have a statutory asset lock?

This is an asset lock as per the Community Benefit Society (Restriction on Use of Assets) Regulations 2006 (SI 2006/264).

The society's rules must contain the following wording:

"Restriction on use

Pursuant to regulations made under section 1 of the Co-operatives and Community Benefit Societies Act 2003:

- (1) All of the society's assets are subject to a restriction on their use.
- (2) The society must not use or deal with its assets except—
 - (a) where the use or dealing is, directly or indirectly, for a purpose that is for the benefit of the community;
 - (b) to pay a member of the society the value of his withdrawable share capital or interest on such capital;
 - (c) to make a payment pursuant to section 24 (proceedings on death of nominator), 25 (provision for intestacy) or 26 (payments in respect of mentally incapable persons) of the Industrial and Provident Societies Act 1965;
 - (d) to make a payment in accordance with the rules of the society to trustees of the property of bankrupt members or, in Scotland, members whose estate has been sequestrated;
 - (e) where the society is to be dissolved or wound up, to pay its creditors; or
 - (f) to transfer its assets to one or more of the following—
 - (i) a prescribed community benefit society whose assets have been made subject to a restriction on use and which will apply that restriction to any assets so transferred;

- (ii) a community interest company;
- (iii) a registered social landlord which has a restriction on the use of its assets which is equivalent to a restriction on use and which will apply that restriction to any assets so transferred;
- (iv) a charity (including a community benefit society that is a charity);
- or
- (v) a body, established in Northern Ireland or a State other than the United Kingdom, that is equivalent to any of those persons.

(3) Any expression used in this rule which is defined for the purposes of regulations made under section 1 of the 2003 Act shall have the meaning given by those regulations.”

All applicants to answer next questions

20 Please complete the table below

All society rules must make provision for the matters stated below. This is a requirement of the 2014 Act.

21 Please provide details of any close links which the society or any member of its committee has, or intends to have, with any society, company or authority.

If there are no close links to report write ‘None’ in the box provided. Do not just leave the box blank.

22 Are any members of the society’s committee disqualified as directors under the Company Director Disqualification Act 1986?

Nobody who is subject to a disqualification order can serve on the board/committee of a co-operative or community benefit society during the period specified in the disqualification order.

Companies House maintain a database of disqualified directors
www.companieshouse.gov.uk.

23 Does the society intend to carry out any regulated activity?

By ‘regulated’ we refer to activities regulated by the Financial Services and Markets Act 2000.

Anyone wanting to carry out any form of activity regulated under the Financial Services and Markets Act 2000 must first apply for an be granted permission to do so.

Examples of regulated activities include,

- accepting deposits (other than as withdrawable share capital)
- advising on investments
- effecting or carrying out contracts of insurance as principal

Please visit www.fca.org.uk for more information.

24 Have you used model rules provided by a sponsoring body?

You can apply for registration under the 2014 through a sponsoring body.

Sponsoring bodies provide one or more sets of model rules for the types of societies they promote. Using model rules limits the chance of mistakes and reduces the fee payable to us.

Model rules are obtainable directly from the sponsoring bodies, not from us. We provide a list of sponsoring bodies at www.fca.org.uk/mutuals.

Applications using model rules must be submitted through, and endorsed by, the relevant sponsoring body, if you wish to pay a reduced fee.

Registration fee**25 Please tick the relevant box below to confirm the fee submitted with your application**

We will not process your application without receiving the fee. Fees are non-refundable, even if you withdraw your application or we reject it.

However, if the society is registered under the Friendly Societies Act 1974 and is applying to convert as a co-operative society or community benefit society then no fee is payable.

Adding information into a model set of rules such as a name, an address, or any text or number that is added into a model rule within a space specifically provided for it is not treated as an amendment.

Member and Secretary details**26 You must arrange for three members and the Secretary of the society to complete the table below**

Please give full names, do not use abbreviations.

We require all signatures on the form to be original signatures.

Date of application**27 Date the application was submitted**

Enter the date of application.

Appendix 1

Please provide the full names (including any previous or alternative names), address, occupation, date of birth and signature of every person who is, or it is known will be, a trustee.

The 'charity trustees' of a charity registered by us as a society under the 2014 Act are the persons having the general control and management of the administration of the charity (in England and Wales see the Charities Act 2011). These will normally be the society's committee of management, its chief executive and secretary.

We will check the information provided in this form against various databases to confirm that those named actually exist and are not disqualified from acting as charity trustees. If you have moved home in recent months the address you give may not match those on the databases we use to verify the information supplied in this form. If this is likely to affect you, please attach evidence of your current address such as a copy of a utility bill or some other formal correspondence and also provide details of previous addresses.

Certain people are disqualified from acting as charity trustees. In England and Wales, the Charity Commission publishes guidance on the function of a trustee and the penalties and consequences of acting whilst disqualified. Prospective trustees are recommended to read CC3 'The Essential Trustee: What you need to know', which may be obtained from the Charity Commission: www.charity-commission.gov.uk.

We do not need to be notified when trustees cease to hold office. However, new appointments should be advised to us using this appendix. The appendix will not be placed on the society's public record file.

Appendix 2

1 An officer of the society must sign and date below

We require all signatures on the form to be original signatures and these signatures must be dated.

Appendix 3

1 Details of Company

Please use the full registered names, do not use abbreviations.

2 Date of general meeting at which the special resolution was passed

Please enter the date of the meeting when the special resolution was passed.

3 You must attach three copies of the special resolution

Please provide clean copies: containing only the wording the special resolution.

Each copy of the special resolution must be headed with the name and registration number of the company and each copy must be signed by both the Secretary of the company and by the Chairman of the meeting at which the special resolution was approved.

4 Details of the three members of the company that will be appointed with the Secretary to sign the rules of the society

The 3 members stated here should sign and date (in addition to the secretary) the 2 copies of the rules of the society attached to the application (see question 5).

5 If we ask for any rules to be altered, how will they be dealt with?

The special resolution must provide that:

- the three appointed members may accept any alterations made by the FCA without further consulting the company; or
- that the appointed members must lay any such alterations before the company in general meeting for acceptance

6 You must confirm that the nominal value of withdrawable shares held by any member other than a registered society does not exceed £100,000.

There is no maximum limit as to the value of non-withdrawable shares that may be held by a member in a co-operative society or a community benefit society. However no person must hold more than £100,000 in withdrawable shares.

7 Do its articles of association require the company to affix and attest the seal of the company?

If the company articles do require this we need to see the affixed and attested seal.

8 A director of the company must sign and date below

We require all signatures on the form to be original signatures.

9 The Secretary or another director of the company must sign and date below

Please ensure the form is signed by the company secretary or, where there is no company secretary, a director.

End of note