



Co-operatives update - developments for Industrial and Provident Societies

The last few years have seen a raft of reports and consultations and much lobbying by the co-operative sector in an effort to drag the law which applies to Industrial and Provident Societies into the modern age. 2014 will see the results of much of that legwork. Significant developments* are summarised below.

The following changes **from 6 April 2014**:

- **Share capital limit.** The current limit on withdrawable shares held by each member will increase from £20,000 to £100,000. Withdrawable shares are shares which can be withdrawn by the member (in accordance with the rules of the society). This change will be particularly helpful to societies which need a higher level of capital investment from their members. The limit on non-withdrawable shares (sometimes known as permanent shares) was removed in January 2012.

Societies which have a £20,000 (or lower) limit stated in their rules will need to amend their rules to take advantage of the increase. There is a relaxation for a limited period which will allow the limit in the rules to be increased by a resolution of the committee (in some societies, known as the board) rather than by a members' resolution. The committee can do this at any time up until the earlier of 5 October 2015 and the date of registration of any other amendment to the rules.

- **Directors' disqualification.** The Company Directors Disqualification Act 1986 will apply to societies in the way it currently applies to limited companies. Officers guilty of mismanagement will be disqualified from holding office in other societies; offering greater protection to the sector as a whole.

* Societies involved in social housing are excluded from the scope of some of the changes.

The following changes **anticipated on or before 1 August 2014**:

- **New Act.** A new consolidating Act will bring together and tidy up the elderly jumble of existing legislation which currently applies to societies.
- **New co-operative label for societies.** Societies will officially get the new label of Co-operative Society in place of the outdated Industrial and Provident Society tag.
- **Insolvency rescue measures.** Currently, the only path open to an insolvent society is to wind itself up. Changes to the legislation will allow the appointment of administrators or the use of voluntary creditors' arrangements, increasing the possibility of a rescue and helping to protect members' interests and employees' positions.

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