

Chapter 8

Obligations & Process

8.12 Arrangements and reconstructions

- 8.12.1** G The procedures in Part 26 of the Companies Act 2006, which deal with arrangements and reconstructions of companies, can be used by some societies. They allow societies to use provisions for compromises or arrangements with their members or creditors, or particular classes of them. The Part 26 procedure cannot be used by a regulated housing association.

[**Note:** The Co-operative and Community Benefit Societies and Credit Unions (Arrangements, Reconstructions and Administration) Order 2014 SI 2014/229 applies Part 26 with some modifications]
- 8.12.2** G References in Part 26 to company directors mean society committee members or directors, and references to company articles are read as references to society rules.
- 8.12.3** G The procedure involves court orders to convene meetings of relevant classes of creditors and members to vote on the proposed Scheme after the information required by Part 26 has been circulated to them. If the Scheme is approved at those meetings by appropriate majorities, it is only binding after a further court order.
- 8.12.4** G When applied to society members, the reference to a 'majority of 75% in value' of members or a class of members in Part 26 is read as simply '75% of members' (i.e. one-member-one-vote). The value of their stake is not taken into account. However, for creditors, a majority by value is required in the case of a society, as it is for a company.

[**Note:** s889 Companies Act 2006 (as modified by SI 2014/229)]
- 8.12.5** G Before a court can make an order to sanction an arrangement or compromise involving the reconstruction of a society, or its amalgamation with another society or a company, we must state that we are satisfied that it is not contrary to the Act.
- 8.12.6** G Our interest is in whether the nature of the society as a co-operative society or community benefit society has been prejudiced by the proposed compromise or arrangement. For this reason, **it is important to involve us**

from the very beginning of the process of considering the use of Part 26 for a society.

8.12.7

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The society must deliver a copy of any order made under these provisions within seven days of it being made. It should be accompanied by a copy of the society's rules, if they have been amended by the order.