

Chapter 7

Lending to members



7.1 Application, purpose and interpretation

Application

7.1.1 **R** This chapter applies to all *credit unions*.

Purpose

7.1.2 **G** (1) This chapter seeks to protect the interests of *credit unions'* members in respect of loans to members under section 11 of the Credit Unions Act 1979 or article 28 of the Credit Unions (Northern Ireland) Order 1985. *Principle 4* requires *credit unions* to maintain adequate financial resources.

(2) [deleted]

Interpretation

7.1.3 **G** The *rules* and *guidance* in this chapter are in addition to the provisions of (in relation to *Great Britain credit unions*) section 11 of the Credit Unions Act 1979 and (in relation to *Northern Ireland credit unions*) article 28 of the Credit Unions (Northern Ireland) Order 1985 in relation to loans made by *credit unions*. Under these provisions

(1) a *Great Britain credit union* may make a loan only to:

- (a) a member of the *credit union* who is an individual; and
- (b) a corporate member of the *credit union*, if the *credit union's* rules provide that it may make loans to corporate members and making the loan would not result in the aggregate of the outstanding balances on loans made by the *credit union* to corporate members exceeding the percentage of the aggregate of the outstanding balances on all loans made by the *credit union* to members specified by or under section 11 of the Credit Unions Act 1979;
- (c) other *credit unions*;

(1A) a *Northern Ireland credit union* may make a loan only to:

- (a) a member of the *credit union* who is an individual;
- (b) other *credit unions*; and
- (c) a corporate member of the *credit union* if the *credit union's* rules provide that it may make loans to corporate members and making the loan would not result in the total amount of the

outstanding balances on loans made by the *credit union* to corporate members exceeding the percentage of the total amount of the outstanding balances on all loans made by the *credit union* to members specified by or under article 28 of the Credit Unions (Northern Ireland) Order 1985;

(2) a *credit union* may not make a loan to a member of the *credit union* holding only *deferred shares*.

7.1.4

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"Corporate member" has the same meaning as in section 5A of the Credit Unions Act 1979 or article 14A of the Credit Unions (Northern Ireland) Order 1985 as appropriate.