

Chapter -1

Executive summary

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- 1.1.1** **G** This guidance explains our policy and our approach to our role as a registering authority for societies under the Co-operative and Community Benefit Societies Act 2014. It also explains the legal obligations and relevant legal processes for societies.
- 1.1.2** **G** We want this guidance to help societies and their advisers by making our approach clear and transparent. We hope it will answer many of your questions about our approach to our registration function.
- 1.1.3** **G** As the registering authority for societies, the FCA and our predecessors published a series of information notes to help societies. All this guidance is now brought together in this document, which is also the result of extensive consultation with stakeholders.
- 1.1.4** **G** This is 'general guidance'. This means that it explains our policy and suggests some ways to comply with it. It also clearly explains the current rights and responsibilities of societies under the Act. It is aimed at a wide audience, including society officers and members. It is not a substitute for legal advice.
- 1.1.5** **G** ■ RFCCBS 1 and ■ 2 provide an introduction and explain our role as the registering authority under the Co-operative and Community Benefit Societies Act 2014. The FCA's role as registering authority is different and separate from our role as a financial services regulator. Companies House is the registering authority for companies and we are the registering authority for societies.
- 1.1.6** **G** ■ RFCCBS 3 sets out the registration requirements for societies. A society which plans to carry on an industry, business or trade can register under the Act either as a co-operative society or a community benefit society. Registration gives a business its own corporate identity and limited liability status.
- 1.1.7** **G** When a society applies to us to register, we will look at the information in its application form and check its proposed rules. The Act sets out the minimum content for these rules and we give this information in ■ RFCCBS 3.4 of this guidance.

- 1.1.8** **G** In **■ RFCCBS 4** and **■ 5** respectively, we explain our approach to defining a bona fide co-operative society and a community benefit society. These terms are not defined by the Act.
- 1.1.9** **G** **■ RFCCBS 6** gives information on capital. All societies are limited by shares. Most societies issue shares in the form of withdrawable share capital. These shares are issued at risk and cannot increase in value and may go down in value. There is a legal limit on the total of withdrawable shares which an individual member who is not another society may hold in a single society.
- 1.1.10** **G** Withdrawable shares which are non-transferable shares are not 'controlled investments' or 'specified investments' under the Financial Services and Markets Act 2000. The issue of non-transferable shares by a society registered under the Act is not therefore subject to either our financial promotions or conduct of business rules.
- 1.1.11** **G** Members generally acquire shares in a society in order to capitalise a co-operative business or to further the aims of a community benefit society. The terms and conditions and the rewards linked to the holding of shares, such as the rate of interest (where this is payable), can be an indicator of compliance with the conditions for registration. **■ RFCCBS 6.1.21** onwards provide examples of indicators of compliance and non-compliance with these conditions.
- 1.1.12** **G** **■ RFCCBS 7** explains that the Act requires societies to keep proper books of account. These are:
- (1) a revenue account dealing with the affairs of the society as a whole; or
 - (2) separate revenue accounts dealing with different businesses of the society, if it has different businesses.
- 1.1.13** **G** Along with any balance sheet, these accounts must give a true and fair view of the society's income and expenditure and of its affairs at the date of the balance sheet. Societies must send us their annual return and accounts within 7 months of the end of the society's financial year.
- 1.1.14** **G** In **■ RFCCBS 8** we summarise a society's obligations and the processes a society must follow under the Act, including the obligations to continue to meet the conditions for its registration, to register any alteration of its rules with us before implementing it, and to maintain and submit accounts and an annual return.
- 1.1.15** **G** Directors of societies must always act prudently and legally in accordance with the society's rules and in its interests. The Company Directors Disqualification Act 1986 applies to the directors of societies. **■ RFCCBS 8.1.10** onwards provides further details.

- 1.1.16** **G** This guidance also gives information about areas including changing your society's name, recording any charges, and changing the date of the society's financial year end.
- 1.1.17** **G** Societies can be brand new businesses or created by converting from another kind of corporate body. In turn, societies themselves can also convert into another kind of corporate body, such as a company. We explain the procedures for conversions in the section, starting at **RFCCBS 3.6**.
- 1.1.18** **G** A number of different factors can mean we have to remove a society from the register. These can include a transfer of engagements to, or amalgamation with, another society or company, conversion to a company, administration, winding up, and dissolution. We give more information on these processes from **RFCCBS 8.8** onwards.
- 1.1.19** **G** **RFCCBS 9** gives details of the powers we can use if we have concerns that a society is not complying with its obligations under the Act. We can:
- (1) require the society to give us information and documents;
 - (2) require the society to get its accounts audited by a qualified auditor;
 - (3) appoint an inspector;
 - (4) suspend or cancel a society's registration; and
 - (5) prosecute for certain events.
- 1.1.20** **G** **RFCCBS 10** explains our role if societies have disputes and the rights of a society's members.

 -1.2 Overview

- 1.2.1** **G** We are the registering authority under the Co-operative and Community Benefit Societies Act 2014. Our role as registering authority is different and separate from our role as a financial services regulator. Companies House is the registering authority for companies and we are the registering authority for societies.
- 1.2.2** **G** This document is general guidance. General guidance sets out one way, but not the only way, of meeting legal requirements. This document is not legal advice and societies should seek their own legal advice.
- 1.2.3** **G** Words such as 'generally', 'usually' and 'ordinarily' are used deliberately. We know that there may be circumstances when a society is justified in departing from the approaches we describe in this guidance. If a society follows a different approach then it should be clear about why it is doing so and, if appropriate, get legal advice beforehand.
- 1.2.4** **G** Where we are explaining our policy view on something we use words such as 'in our view'.
- 1.2.5** **G** If we use words like 'must' and 'shall' we are discussing legal requirements which societies must meet. These requirements on societies come either from the Co-operative and Community Benefit Societies Act 2014, or from us using powers the Act has given us.
- 1.2.6** **G** This guidance does not include details of the specific sections within the Co-operative and Community Benefit Societies Act 2014 unless we quote it directly. We also include references to other society legislation if it is relevant. We do not provide guidance on any issues that are outside our role as registering authority. So, for example, we do not give advice on charity or insolvency law.
- 1.2.7** **G** This guidance applies to all societies registered (or deemed to be registered) under the Co-operative and Community Benefit Societies Act 2014. On 1 August 2014 the Co-operative and Community Benefit Societies Act 2014 consolidated and replaced previous Industrial and Provident Societies Acts, including the Industrial and Provident Societies Act 1965. So industrial and provident societies registered, or treated as registered, under the Industrial and Provident Societies Act 1965 are now deemed as registered under the

Co-operative and Community Benefit Societies Act 2014. This guidance applies to all of those societies.



-1.3 Glossary

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Term	Definition
Board (or 'Board of Directors')	The 'committee of management' as per s14 of the Co-operative and Community Benefit Societies Act 2014. This being the main governing body with ultimate responsibility for the society
Committee	The committee of management, otherwise known as the 'Board of Directors'
Exempt charity	A charity which is a community benefit society and which is therefore currently exempt from registration with the Charity Commission
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
OSCR	Office of the Scottish Charity Regulator
Pre-commencement society	A society registered (or deemed registered) before 1 August 2014, previously referred to as an industrial and provident society
Registered society	All societies registered (or deemed registered) under the Co-operative and Community Benefit Societies Act 2014 including pre-commencement societies
Regulated housing association	In England and Wales, a 'registered provider' regulated by the Homes and Communities Agency; in Scotland, a 'registered social landlord' regulated by the Scottish Housing Regulator; in Wales, a 'registered social landlord' regulated by the Welsh Ministers
SCIO	Scottish charitable incorporated organisation
Society	All societies registered (or deemed registered) under the Co-operative and Community Benefit Societies Act 2014 including pre-commencement societies

Term	Definition
Statutory Asset Lock	The asset lock under The Community Benefit Societies (Restriction on Use of Assets) Regulations 2006
The Act	Co-operative and Community Benefit Societies Act 2014