HMRC - CTM40507 - Background And Types Of Society

Registration etc

All UK industrial and provident societies, credit unions and co-operative and community benefit societies are registered by the Mutual Societies Registration section of the Financial Conduct Authority. They enjoy limited liability in the same way as companies registered under the Companies Acts. The FCA’s role as registering authority is separate from its role as conduct regulator, but, depending on the activities of a particular society, it may also be subject to FCA regulation.

A GB society may register under CCSB14 as a co-operative society or a community benefit society if it satisfies either of the two conditions found at section 2 (2) of that Act.

The conditions are that:

the society is a bona fide co-operative society,or

the business of the society is being, or is intended to be, conducted for the benefit of the community, (a ‘bencom’).

Bona fide co-operative society

There is no statutory definition of a ‘bona fide co-operative’ society but there are criteria laid down by the registering authority. These are:

there is a community of interest – there must be a common economic, social or cultural need or interest among all members,

conduct of the business must be for the mutual benefit of the members with the benefits they receive deriving mainly from their participation in the business,

control of the society must be vested in the members equally, the principle of ‘one man, one vote’ is fundamental,

interest on share/loan capital shouldnot exceed a rate necessary to obtain and retain sufficient capital to carry out the society’s business,

profits, if distributable amongst the members, will be distributed in relation to the extent members have either traded with the society or taken part in the society’s business, and

there should be open membership, membership must not be artificially restricted with the aim of increasing the value of any proprietary rights and interests.

The aim is to ensure a genuine community of interest amongst a society’s members based on something other than the amount of capital they have placed in the society. A society cannot be a co-operative society if it carries on, or intends to carry on, business with the object of making profits mainly for the payment of interest, dividends, or bonuses on money invested or deposited with or lent to, the society or any other person’.

Benefit of the community

A society ‘for the benefit of the community’ must principally show that:

the business must be run primarily for the benefit of people who are not members of the society and must be in the interests of the community at large,

the rules of the society must not allow distribution of profits or assets to the members: profits should be ploughed back into the business, and

on dissolution the assets of the society must pass to some other body with similar objects, not to the members.

A ‘bencom’ must also meet the same requirements in respect of interest on share on loan capital as for a bona fide co-operative society.

Subject to the above constraints societies are entitled to carry on any business or trade.

A registered society must have at least three members (but this is reduced to two where both are registered societies. There is no equivalent to the authorised share capital of a Companies Act company and therefore no limit to the number of shares that may be issued. There is a maximum withdrawable share subscription limit of £100,000 although this limit does not normally apply to shares held by another registered society . There is no limit on non-withdrawable share capital. The rules of any particular registered society may specify lower limits.

There are different rules about membership and share capital for credit unions, see

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