Co-operative Capital Bill [HL]

[AS INTRODUCED]

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BILL

TO

Enable the law relating to societies registered under the Co-operative and Community Benefit Societies Act 2014 to be amended to permit and facilitate the use of co-operative share capital; to provide consequential rights to members of such societies; and to restrict the voting rights of certain members who hold such shares.

BE IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Power to permit the use of co-operative shares

(1) The Secretary of State may, by regulations, amend the Co-operative and Community Benefit Societies Act 2014 ("the 2014 Act") to permit and facilitate the use of co-operative shares in a society.

(2) Regulations under subsection (1) must provide that a co-operative share in a society registered under the 2014 Act may be transferable but may not be withdrawable.

(3) Regulations under subsection (1) must provide, in respect of co-operative shares whose use is permitted or facilitated by those regulations, that every holder of such shares—

(a) must be or within a reasonable period become a member of the society;

(b) is entitled to only one vote as a member regardless of the value or number of shares that they hold and regardless of any entitlement they may have as a result of their participation in the society otherwise than as a holder of such shares;

(c) is entitled to only the level of compensation payable under the rules of the society;

(d) is entitled only to repayment of the nominal value of the share on redemption of the share, or the earlier solvent liquidation of the society, and to no other bonus or part of any surplus.

(4) Regulations made under subsection (1) must require that the rules of any society having co-operative shares under the terms of those regulations make express provision for the destination of any capital surplus on a solvent liquidation of the society, which destination must only be another corporate

body whose constitution prohibits members receiving anything more than a repayment of the nominal value of any shares they hold.

(5) The power to make regulations under this section is exercisable by statutory instrument.

(6) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament.

2 Co-operative shares

(1) Regulations made under section 1(1) may provide for a society to issue co-operative shares which—

(a) will be repaid on a fixed or ascertainable date stated in the terms of issue of the share, or

(b) can be repaid on a date chosen either by the society or by the member who holds the share in accordance with the terms of issue of the share.

(2) The rules of any society registered under the 2014 Act may exclude or restrict the issue of co-operative shares.

(3) A society may only issue co-operative shares under the provisions of this Act if it is authorised to do so by its rules.

(4) A society may only repay a co-operative share issued under the provisions of this Act if it has, at the time of repayment, at least one other issued share.

3 Terms and manner of repayment

(1) Regulations made under section 1 must permit the committee of a society to determine the terms, conditions and manner of repayment of co-operative shares if the committee is authorised to do so on behalf of the society—

(a) by the society's rules, or

(b) by a resolution of the society.

(2) Regulations made under section 1 must provide that, notwithstanding any provision of any other existing legislation or of the society's rules, a resolution under subsection (1)(b) may be an ordinary resolution, even if it amends the society's rules.

(3) The regulations must provide that, where a committee of a society is authorised, in accordance with subsection (1), to determine the terms, conditions and manner of repayment of co-operative shares—

(a) the committee must do so before the shares are allotted, and

(b) any obligation of the society to state in a statement of capital the rights attached to the shares extends to the terms, conditions and manner of repayment.

(4) Where a committee of a society is not so authorised, the terms, conditions and manner of repayment of any co-operative shares must be stated in the society's rules.

(5) Regulations made under section 1 may apply the provisions of Part 18 of the Companies Act 2006 (acquisition by limited company of its own shares), with such modifications as the Secretary of State thinks fit, to any society to be permitted by those regulations to issue co-operative shares.

4 Restriction on voting rights

No holder of a co-operative share, who is a member of a society only by virtue of holding such a share, shall be entitled to propose, or vote in respect of, any resolution under sections 109 (amalgamation of societies), 110 (transfer of engagements between societies) or 112 (conversion of society into a company, amalgamation with a company etc) of the 2014 Act, or a proposed transfer or sale of business or property under section 110 (acceptance of shares, etc., as consideration for sale of company property) of the Insolvency Act 1986.

5 Definitions

(1) In this Act—

a "society" is—

(a) a society registered under the 2014 Act other than a credit union registered under that Act by virtue of the Credit Unions Act 1979, or

(b) a body which is a co-operative or mutual undertaking of such description as the Secretary of State may specify by regulations made by statutory instrument and which is established or operates in accordance with the laws of an European Economic Area State or any of the Channel Islands or the Isle of Man;

"the 2014 Act" includes the Co-operative and Community Benefit Societies Act 2014 and any secondary legislation made under that Act.

(2) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament.

6 Extent, commencement and short title

(1) This Act extends to England and Wales, Scotland and Northern Ireland.

(2) This Act shall come into force on such day as the Secretary of State may by order made by statutory instrument appoint, and different days may be appointed for different purposes.

(3) This Act may be cited as the Co-operative Capital Act 2026.

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Lord John of Southwark

Ordered to be Printed, 22nd July 2026.

PUBLISHED BY THE AUTHORITY OF THE HOUSE OF LORDS