

# Industrial and provident societies

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Guidance for charitable industrial and provident societies in Northern Ireland on their obligations under charity law



# The Charity Commission for Northern Ireland

The Charity Commission for Northern Ireland is the regulator of charities in Northern Ireland, a non-departmental public body sponsored by the Department for Communities.

## Our vision

To deliver in partnership with other key stakeholders in the charitable sector “a dynamic and well governed charities sector in which the public has confidence, underpinned by the Commission’s effective delivery of its regulatory role.”

Further information about our aims and activities is available on our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

## Equality

The Charity Commission for Northern Ireland is committed to equality and diversity in all that we do.

## Accessibility

The Commission’s website has been designed to **W3C standards** of accessibility and includes a number of features to enhance accessibility for a wide range of individuals. These include colour contrast and resize options. Materials may be made available in alternative formats on request. If you have any accessibility requirements please contact us.

## Online or in print

If you are viewing this document online, you will be able to navigate your way around by clicking on links either within the contents page or text.

We have produced a glossary that provides further information, definitions and descriptions of some key terms. The words in **bold green type** indicate words that are found in the glossary towards the end of this document. If you are reading the document online you can click on the word and it will link you to the definition in the glossary. The words in *pink italics* indicate other guidance or databases.

Please check our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk) to make sure you’re using the latest versions of forms and guidance.

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## Section 1: Overview

As the Northern Ireland *register of charities* grows, the Charity Commission for Northern Ireland (the Commission) is committed to providing additional guidance for some organisations that, due to the nature of their purposes or structure, may have specific queries that are not addressed in other, more general, guidance.

The intention of this guidance is to set out information, and signpost to other guidance, that will help charitable industrial and provident societies apply the principles of charity law to their organisation.

It is important to remember that there are no exceptions or exemptions to applying to register as a charity in Northern Ireland. More broadly, the principles of charity law apply equally to all charities, including charitable industrial and provident societies.

## Section 2: About this guidance

### What does this guidance cover?

This guidance provides an overview of some of the specific issues that might impact on the registration and operation of charitable industrial and provident societies. For organisations that are considering setting up as an industrial and provident society, or for industrial and provident societies that are uncertain whether they might also be charitable, there is detailed information on what an industrial and provident society is, and the differences between different types of industrial and provident society. This is set out in Appendix 1 of the guidance.

If an organisation is a charity in law then it must meet the requirements of charity law which includes seeking the consent of the Commission to do certain things. This applies whether it is already registered as a charity with the Commission or if it is awaiting registration. It is important to note that all charities in Northern Ireland are required to apply to register with the Charity Commission for Northern Ireland (the Commission). This is irrespective of their size or their structure, for example, whether they are a company, an unincorporated association, a trust, or an industrial and provident society.

### What this guidance does not cover

You should not rely on this guidance to provide a full description of legal matters affecting an industrial and provident society and it does not replace advice from a charity's own professional advisers.

These organisations may be regulated by other bodies such as the Department for the Economy and in accordance with other legislation and best practice. Where this is the case, you should contact the relevant regulatory body if you have any specific queries about that legislation.

There is a list of useful links and guidance towards the end of this document.

### Who does this guidance apply to?

This guidance is aimed at the charity trustees of charitable industrial and provident societies, who may also be known by other terms such as members of the management committees or directors.

## What are legal requirements and best practice?

In this guidance, where we use the word 'must' we are referring to a specific legal or regulatory requirement. We use the word 'should' for what we regard as good practice, but where there is no specific legal requirement. Charity trustees should follow the good practice guidance unless there is good reason not to do so.

## Charity legislation

References in this document to 'the Charities Act' are to the **Charities Act (Northern Ireland) 2008**.

Additionally, industrial and provident societies in Northern Ireland are regulated under the **Industrial and Provident Societies Act (Northern Ireland) 1969** (the 1969 Act), which will become known as the **Co-operative and Community Benefit Societies Act (Northern Ireland) 1969**. This update is contained within the **Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016** (the 2016 Act) which received Royal Assent on 22 April 2016 but is not yet fully in force. The 2016 Act is intended to give industrial and provident societies (registered societies) more operational flexibility. A summary of key changes is below:

- A person under the age of 16 years old can now become a member of a registered society (previously 16 years and older) and a person aged 16 years or older (previously 18 years) can hold office in a registered society
- The maximum shareholding a member of a registered society can hold is increased to £100,000 (previously £20,000)
- Registered societies can change their year-end by notice to the appropriate authority
- There is an alternative method of dissolution for dormant societies that involves a special resolution of the society.

Additionally, there are changes which will be made by section 8 of the 2016 Act but which are not yet in force. These include:

- All newly registered societies must be registered as either co-operatives or community benefit societies
- There is a new definition of 'a registered society' to include those already registered and newly registered societies.

It is important to note that legislation may change and this guidance may be updated accordingly.

## Key terms

The following are some key terms that it will be useful to understand when reading this guidance. They, and other terms, are also listed in a glossary at [appendix 2](#).

Throughout this guidance, industrial and provident societies are referred to as IPSs. Where the guidance is specific to IPSs that are charities, they are referred to as charitable IPSs.

**Dividend:** A payment made by a corporate body to its shareholders, usually as a distribution of profits. Usually made in cash as cash dividends, but sometimes distributed as stock dividends.

**Interest on share capital:** A payment made by a corporate body to its shareholder that does not amount to profit distribution but as a discretionary operating expense, payable only if the corporation can afford to do so. Interest on share and loan capital must not be more than a rate necessary to obtain and retain enough capital to run the business.

**Share capital:** Funds raised by issuing shares in return for cash or other considerations. The amount of share capital a society has can change over time because each time an organisation sells new shares to the public in exchange for cash, the amount of share capital will increase. Shares in an IPS may be transferable or non-transferable and withdrawable or non-withdrawable. Typically, IPSs issue withdrawable, non-transferable shares, which are more commonly referred to as 'membership shares' or 'community shares'.

## Section 3: Issues to consider

The principles of charity law apply equally to all charities. This includes charities that are IPSs.

### 3.1 Applying to register as a charity

It is compulsory for all charities in Northern Ireland to apply for registration with the Commission. This is irrespective of size, annual income, or whether they are registered with HMRC for charitable tax purposes. An organisation must apply for registration in Northern Ireland if:

- it is an institution, that is, it is an organisation that is an independent body, the hallmarks of which include having control and direction over its governance and resources, and
- it has exclusively charitable purposes, and
- it is governed by the law of Northern Ireland.

This will include any industrial and provident societies that meet the criteria above. For more information, refer to the Commission's guidance on [Registering as a charity in Northern Ireland](#).

### 3.2 Keeping information on the register of charities up to date and submitting accounts and reports on an annual basis

Registered charities are required to keep the details held by the Commission, and published on the register of charities, up to date. For example, if a new charity trustee is appointed during a year, or one resigns, this must be updated on the register. Additionally, registered charities are required to report to the Commission on an annual basis, submitting their accounts and reports to be published to the register of charities. For further information on the accounting and reporting requirements for registered charities refer to the [Annual reporting](#) section of the Commission's website.

### 3.3 Making changes to a governing document

If a charitable IPS wishes to amend its rules the manner in which it can do so depends on whether or not it has the express power to make the desired change.



If the IPS does not have the power within its governing document it must apply to the Commission for a scheme to make the desired change, such as changing purposes, adding or amending provisions in relation to trustee benefits, or adding or amending dissolution clauses.

Information on how to apply for a scheme is available at the [Manage your charity](#) section of the Commission's website.

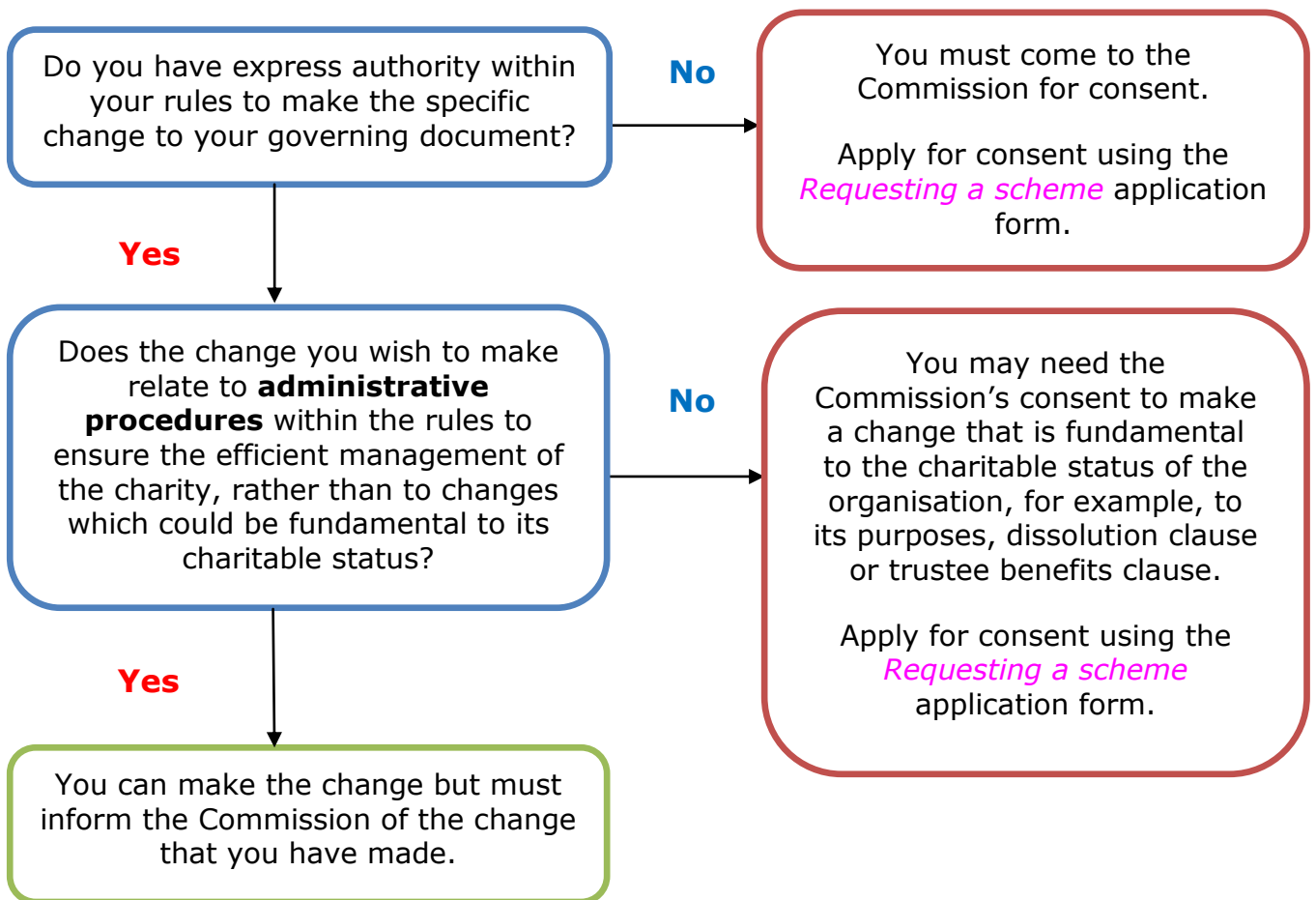
If the IPS has the power to make the changes within its governing document it can do so in accordance with its rules, usually by means of a special resolution, and usually only needs to inform the Commission of the changes that it is making. It is important to note that, even if a charitable IPS can amend its governing document, it cannot do anything that would stop it from being a charity.

There will be instances, however, where consent from the Commission will be required even where a charitable IPS has the power to make the amendment, for example:

- the introduction of a clause to remunerate trustees. This is because there is an inherent conflict of interest in the change it is introducing that it is not possible to manage and therefore requires authority from the Commission.
- where the governing document states that the Commission's consent is required.

Failure to notify the Commission or seek its consent when required to may constitute a breach of trust.

To assist you in understanding when you may need to approach the Commission either for consent or to provide information on a change you have made to your governing document please see the flowchart on the following page.



The principles of charity law also apply to charities that are not yet registered with the Commission. If an organisation meets the legal definition of a charity then it must comply with charity law and refer to the Commission’s guidance which is aimed at supporting charities in maintaining good governance. If there is a requirement under charity law for an organisation to seek the Commission’s consent then it is required to do so, even before it is registered. The responsibility to comply with charity law rests at all times with the charity trustees.

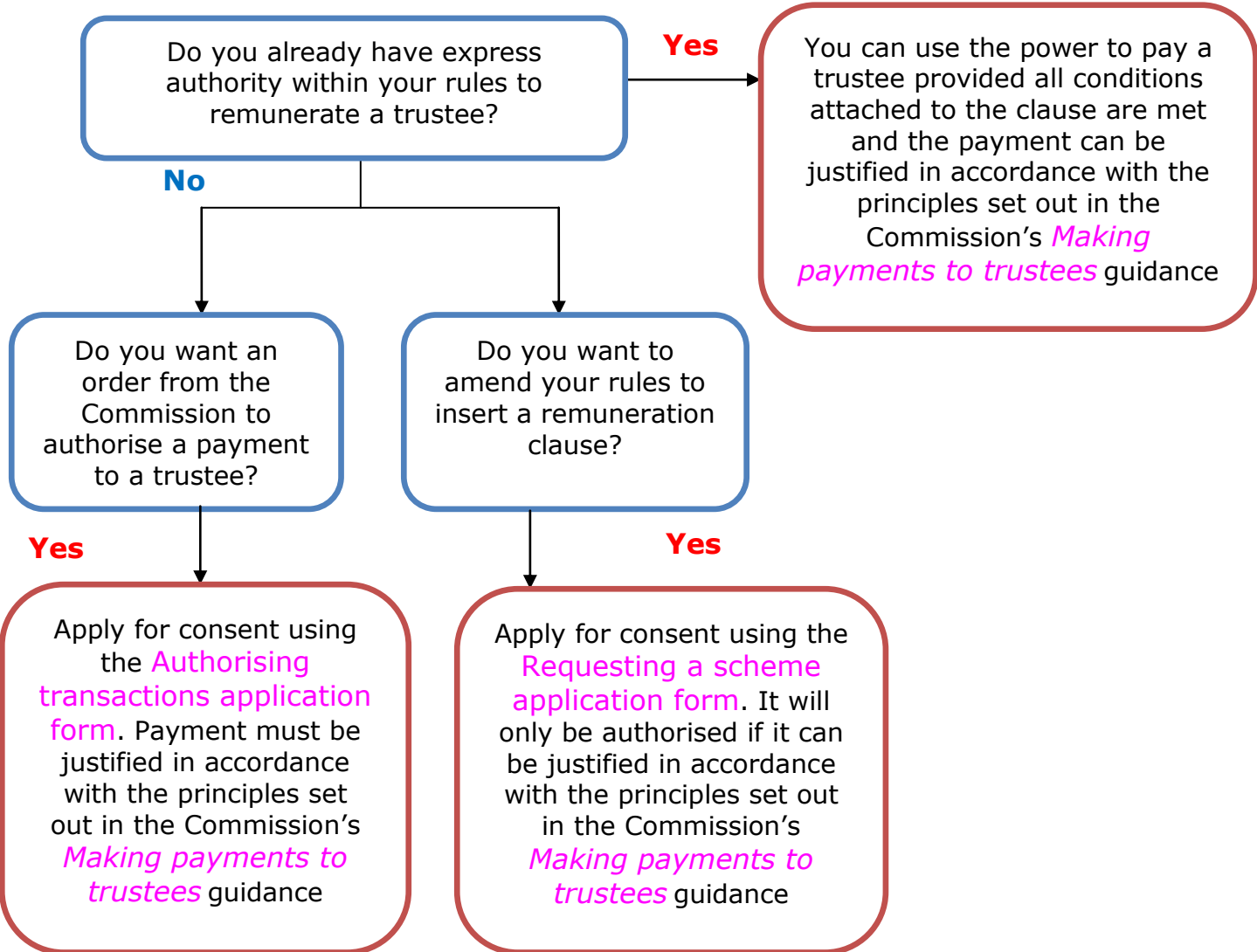
### 3.4 Charity trustee remuneration

The directors of a charitable IPS are its charity trustees for the purposes of charity law. Unpaid trusteeship is a distinctive feature of charities which contributes greatly to public confidence and trust in them. There are strict criteria which must be met in order for a charity trustee to receive remuneration for their services as a trustee. These rules extend to the charity trustees of a charitable IPS.

Charity trustees cannot receive any benefit from their charity, including services, facilities or funds, unless they have express legal authority to do so. This legal authority will come from either a clause in the charity’s governing document (its rules), from legislation, or from the Commission or courts. This does not include the repayment of reasonable out of pocket expenses for charity trustees, which is permitted.

If an IPS has a clause in its rules which permits the remuneration of a charity trustee, or if it wishes to consider making a payment, then it is important to refer to the Commission’s Guidance on *Making payments to trustees*. Where a charitable IPS wishes to remunerate a charity trustee for services provided by them to the IPS then they may rely on a power within their rules or within section 88 of the Charities Act. Where the charity trustees rely on section 88 of the Charities Act, they must have regard to the guidance on *Making payments to trustees*.

Where a charitable IPS is considering remunerating a charity trustee for their trusteeship the flowchart below may assist in deciding its next steps:



### 3.5 Multiple regulators

It is likely that charitable industrial and provident societies will find themselves subject to the rules of multiple regulators. For example, in addition to the requirement to register with the Commission and be regulated as a charity, a charitable IPS will be:

- Registered with the Department for the Economy as an IPS with limited regulation largely limited to the submission of annual returns and ensuring compliance with the 1969 Act
- Listed on the Companies House register
- If it is a housing association, regulated by the Department for Communities.

The Commission is aware of the range of regulation that charitable industrial and provident societies may be subject to and will work to ensure a joined up approach with other regulators, where this is possible.

### 3.6 Paying of interest on share capital

A community benefit society may have the power in its rules to pay **interest on share capital**. As a charity must be established for public benefit rather than for private benefit it can be difficult to reconcile this with the society's charitable status.

However, limited payments of interest may be made by a charitable IPS that would not amount to a distribution of profits but, rather, be viewed as an operating cost enabling the organisation to continue to function. This can also be known as **community shares**. There are a number of criteria that must be met in order for this to be the case.

The criteria are:

1. The interest rate is set at a level which is not in itself a motivation to buy shares and which the charity trustees can justify as being in the interest of the charity by reference to available commercial rates for borrowing.
2. The cost is part of the society's revenue expenses and met before surplus is determined.

3. The rates are declared in advance of the period for which they will become payable, just as for a bank or building society account, and never retrospectively.
4. There is a power to suspend interest payments in the interest of the society.
5. There is a power of the society to withhold repayment of the shares, either temporarily or indefinitely, and to write the value down below the nominal £1.
6. The shareholding does not confer any rights to the underlying assets of the society.
7. In the event of a solvent dissolution, shareholders cannot be paid more than the nominal value of their shares.

### 3.7 Amalgamation

Typically, where two or more organisations decide to come together to form one organisation this is referred to as a merger. The Commission has provided guidance for charities on *Mergers and closures*.

However, the process for industrial and provident societies is different. Where two or more industrial and provident societies come together this is usually referred to as an 'amalgamation'. This is set out in s59 of the Industrial and Provident Societies Act (Northern Ireland) 1969 (the 1969 Act):

“Any two or more registered societies may by **special resolution** of each of those societies become amalgamated together as one society, with or without any dissolution or division of the funds of these societies or any of them; and the property of each of these societies shall become vested in the amalgamated society without the necessity of any form of conveyance other than that contained in the special resolution.”

In order to amalgamate with another society, a special resolution must be passed by not less than two thirds of the members of each society at a general meeting. This must then be confirmed by a simple majority vote by the members of each society at a second general meeting 14 days – 1 month after the first vote. The members of each of the original societies usually become members of the new society and hold shares in place of those held previously. The property of each society is vested in the new society without the need for any form of conveyance.

Alternatively, a registered society may, by special resolution, transfer its engagements to any other registered society which may undertake to fulfil those engagements. This is set out in s60 of the 1969 Act.

It is possible for an amalgamation to also be a relevant charity merger and, therefore, charity law must be born in mind when considering an amalgamation. While the Commission has produced guidance on charity mergers we recommend that charitable IPSs also seek professional advice, or contact the Department for the Economy, for guidance.

## Appendix 1: What are industrial and provident societies?

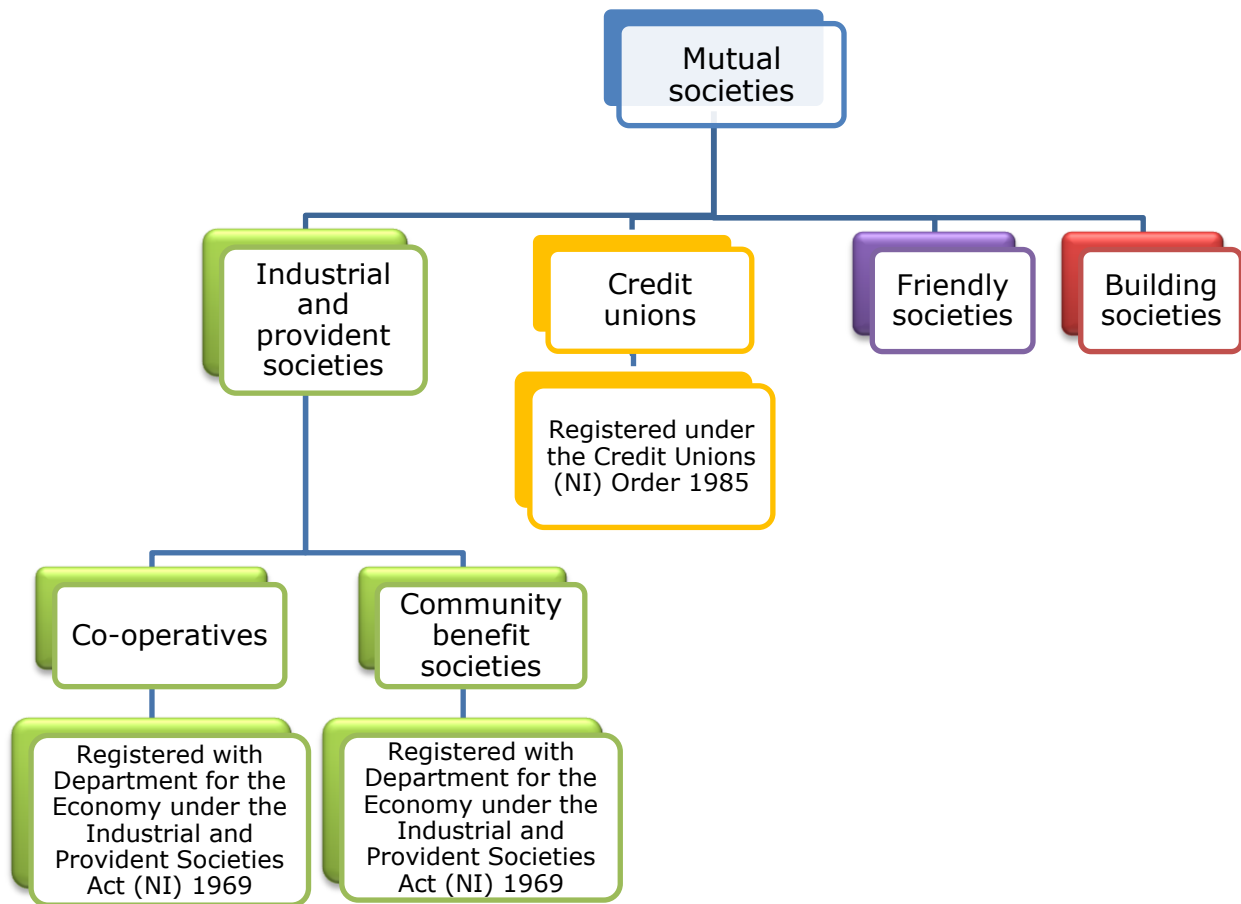
Industrial and provident societies are part of a broader family of organisations known as mutual societies. These also include building societies, credit unions and friendly societies.

### What are mutual societies?

Mutual societies are organisations that are owned and controlled by their members. They are different from 'for profit' companies in that, rather than aiming to maximise shareholder value, they aim to benefit their membership or the community. Additionally, while other companies typically allocate votes according to shareholding, a mutual society will usually operate a one-member one-vote system.

There are a wide range of organisations that can be classed as mutual societies, some of which may be capable of being charitable, and others not. For example, due to the legislation that governs and establishes them, neither credit unions nor building societies are capable of being a charity. They are established for the benefit of members rather than for public benefit. Industrial and provident societies, depending on how they are structured, may be capable of being charitable. This guidance, therefore, focuses on industrial and provident societies. The types of organisations that fall within the mutual society family are shown in the figure on the following page.

## Mutual society family tree



### What is an industrial and provident society?

To be an industrial and provident society (IPS) in Northern Ireland an organisation must be registered with the Department for the Economy (previously the Department for Enterprise, Trade and Investment) as an IPS. They are defined in section 1 the 1969 Act (as referred to above, will be changed by s8 of the 2016 Act, when commenced). Broadly, an IPS is a society which is established to carry on any industry, business or trade and the conditions for a society to be registered are:

- that the society is a bona fide co-operative society;
- that the society is conducted for the benefit of the community.

An IPS cannot be established with a purpose of making profits mainly in order to pay interest, dividends or bonuses on money invested in, deposited with, or lent to the society. An IPS will generally have a **share capital** although it may be limited to a nominal value. Shares can only be redeemed, if at all, at face value and may be transferable or non-



transferable and withdrawable or non-withdrawable. Typically, IPSs issue withdrawable, non-transferable shares known as 'community shares'.

An IPS must have a minimum of three members unless membership consists of two registered societies.

The **governing document** of an IPS is the society's rules. The rules must contain all matters listed in schedule 1 of the 1969 Act. These include:

- The name of the IPS
- The purposes of the IPS
- The registered office address (which must be in Northern Ireland)
- The terms for admission of members
- Details relating to the holding of meetings
- Information on the appointment and removal of individuals
- The maximum amount of interest in the shares of the society which may be held by any member
- Whether the IPS can contract loans or receive money on deposit from members or others and, if so, details of the conditions attached
- Whether the shares are transferable and / or **withdrawable**
- Provision for the audit of accounts
- Whether members can withdraw from the IPS and provision for claims against the IPS where a member dies or becomes bankrupt
- How the profits of the IPS can be applied
- Provision for the use of a common seal (if applicable)
- Whether the IPSs funds may be invested and, if so, relevant details.

### Common features of an IPS

<b>Governing document:</b>	Rules.
<b>Terms typically in name:</b>	Limited (a legal requirement, unless the organisation is a charity and the Department for the Economy is satisfied that they can be registered without this in their name. See section 5 (5) of the <a href="#">Industrial and Provident Societies Act (Northern Ireland) 1969</a> for further information).  Society, Association, Co-operative, Benefit.
<b>Registration</b>	Registered with the Department for the Economy with an 'IP number' rather than a company number and

<p><b>requirements:</b></p>	<p>name appears on the Companies Register.</p> <p>All charitable IPSs required to register with the Charity Commission for Northern Ireland (this is different from the <b>position in England and Wales</b>).</p> <p>An IPS that is not charitable is not required to register with the Commission.</p> <p>Under the Housing Order (Northern Ireland) 1982 any housing association that wishes to register under the Order must register as such with the Department for Communities (formerly the Department for Social Development).</p>
<p><b>Structure:</b></p>	<p>Corporate body with limited liability for members.</p>
<p><b>Members:</b></p>	<p>Minimum of three required (unless members are two registered societies).</p>
<p><b>Share capital:</b></p>	<p>Generally hold share capital which is set at a nominal value.</p> <p>In Northern Ireland there is a legal limit of £100,000 (previously £20,000) on the amount of withdrawable share capital that can be held by an individual member.</p>
<p><b>Amendments to rules:</b></p>	<p>Will require a <b>special resolution</b> and may require the Commission's consent (depending on whether the IPS is charitable and what the change is). For more information refer to the Commission's guidance, for example, Requesting a scheme, making payments to trustees.</p> <p>Amendments must be registered with the Department for the Economy.</p> <p>Consultation or consent may be required of other regulators, for example, the Department for Communities for housing associations.</p>

## The difference between co-operatives and community benefit societies

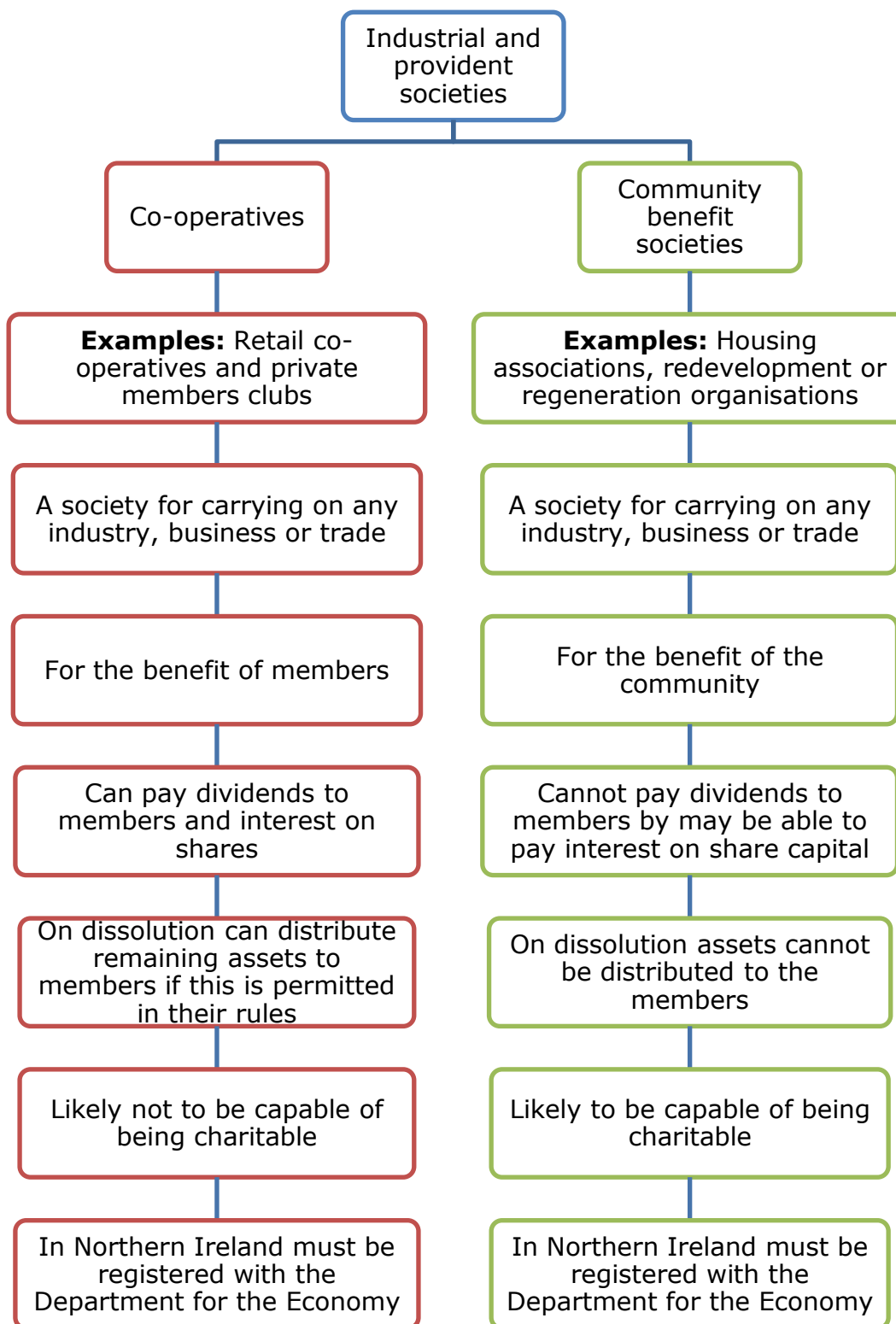
There is an important difference between co-operatives and community benefit societies that make it very unlikely that a co-operative will be charitable whereas a community benefit society is likely to be capable of being charitable. This difference is that co-operatives are normally established for the benefit of their members while a community benefit society is established for the benefit of the community. Therefore, while a co-operative and a community benefit society may have similar purposes a co-operative is unlikely to be for the public benefit but, rather, for the private benefit of its members. It is important to note, however, that not all community benefit societies will be registered as charities as they may have purposes that are not exclusively charitable.

### The hallmarks of a co-operative

A co-operative will not usually be charitable because its purpose is to carry out trade that is for the mutual benefit of members. The rules of a co-operative will normally state that it is one and the purposes of the organisation will likely contain a phrase such as “for the benefit of members” or “for co-operative and / community purposes”. A co-operative may have a power within its rules that allows it to pay a **dividend** to members, that is, to distribute a current surplus to the members and/or to pay **interest on the share capital**. Finally, on dissolution, it may distribute its assets among the members of the co-operative.

### The hallmarks of a community benefit society

A community benefit society is established to trade for the benefit of the broader community and not the membership of the organisation. A community benefit society is often capable of being charitable provided it has exclusively charitable purposes and devotes its resources to the pursuit of its charitable purposes. A community benefit society does not allow either profits or assets to be distributed to its members in the form of dividends. This includes on dissolution of the society. However, a community benefit society may be able to pay interest on **share capital (not dividends)**. This is seen as an operating cost rather than as a distribution of profits and it is made only when the society can afford to do so and in so much as to retain or obtain enough capital to run the business.



The key difference between co-operatives and community benefit societies is highlighted in some important case law that sets out the potential for

charitable status to be awarded to an industrial and provident society. The case law includes:

- **Inland Revenue Commissioners – v – Yorkshire Agricultural Society [1928]:** in this case it was found that, if a substantial part of the purposes of a body is to provide a benefit to the body’s own members, the body is not established for charitable purposes only.
- **Royal College of Surgeons of England – v – National Provincial Bank Ltd [1952] HL:** in this case it was found that some charitable trusts are inevitably going to benefit some individuals who may be members of that trust, but, they do not necessarily lose charitable status so long as the benefits the members receive are incidental to the main charitable purpose.
- **Helena Partnerships Ltd v HMRC [2012]:** in this case it was found that the purposes of the social landlord were not exclusively charitable because they were not limited to carrying out operations for the primary benefit of the community, rather than for individuals.

The following tables may assist you in identifying where certain clauses within the rules of an IPS would differ between co-operatives, community benefit societies that are potentially charitable and community benefit societies that may not be capable of being charitable.

## Sample purposes (objects) clauses

Co-operative (not likely to be charitable)	Community benefit society (potentially capable of being charitable)	Community benefit society (may not be capable of being charitable)
<p>The objects of the Co-operative shall be:</p> <ul style="list-style-type: none"> <li>a) the provision, construction, conversion, improvement, or management on the Co-operative Principles of housing exclusively for occupation by members of the Co-operative under the terms of a tenancy granted to them by the Co-operative solely or jointly with another member or members which shall:               <ul style="list-style-type: none"> <li>i. exclude all rights for a member to purchase the housing they occupy; and</li> <li>ii. exclude any right to dispose of or assign the tenancy to any person other than, with prior written consent, to a person who is a member or prospective member of the Co-op; and</li> <li>iii. require the member to surrender the tenancy to the Co-op or, at the Co-op's direction, to a member or prospective member of the Co-op on ceasing to be a member, and/or</li> </ul> </li> <li>b) provision and improvement on the Co-operative Principles of land, buildings,</li> </ul>	<p>The Housing Association is formed for the benefit of the community. Its objects shall be to undertake for the benefit of the community:</p> <ul style="list-style-type: none"> <li>a) The business of providing housing, accommodation, assistance to help house people and associated facilities and amenities for the prevention or relief of poverty or for those in need by reason of age, ill health, disability, financial hardship or other disadvantage;</li> <li>b) Any other charitable object that can be carried out by an Industrial and Provident Society registered as a housing association by the Department.</li> </ul>	<p>In the case of a society established to support a professional football club: The society's objects are to benefit the community by:</p> <ul style="list-style-type: none"> <li>a) Enhancing the social, cultural and economic value of the Club to its Communities and by acting as a responsible custodian of the club for future generations;</li> <li>b) Upholding the mutual ownership of the Club operating democratically, fairly and transparently;</li> <li>c) Providing sporting facilities and opportunities regardless of age, income, ethnicity, gender, disability, sexuality, religious or moral belief;</li> <li>d) Playing at the highest level possible, but always operating in a financially responsible, prudent and sustainable manner.</li> </ul>

<p>amenities, or services for the benefit of the members, either exclusively or in conjunction with other persons; and/or</p> <p>c) provision of housing management services to members of the Co-op and to the occupants of housing which is subject to a management agreement under which the Co-op acts as managing agent for the housing owner which remains landlord; and/or</p> <p>d) promotion of the sustainable social, environmental and economic development of the Co-operative and the community of which it is part.</p>		<p><i>Note that this is unlikely to be charitable as the purposes would not fit within one of the twelve descriptions of charitable purpose set out in the Charities Act but, rather, are for the advancement of professional sport.</i></p>
<p>The objects of the co-operative shall be to carry on the business as a co-operative and to carry on any other trade, business or service and in particular to operate a brewery and to distribute, retail or otherwise and sell its produce.</p>	<p>The objects of the Society are specifically restricted to the carrying out business for public benefit by:</p> <p>The preservation, protection, restoration and improvement of buildings and structures of historic or architectural merit for the public benefit in the xx areas, particularly, but not exclusively, the property known as xx Pier.</p>	<p>In the case of a community shop, for example:</p> <p>The society exists in order to carry on business and trade for the benefit of the community. This is the society's purpose.</p> <p><i>Note that this is unlikely to be charitable as the carrying out of trade is not a charitable purpose.</i></p>

## Sample shares and benefits clauses

Cooperative (not likely to be charitable)	Community benefit society (potentially capable of being charitable)
<p>Any profits of the co-operative shall be applied as follows:</p> <ul style="list-style-type: none"> <li>a) To a general reserve for the continuation and development of the co-operative</li> <li>b) To paying <b>dividends</b> to Members, either equally or in accordance with some other equitable formula which recognises the relative contribution made by each member to the business of the co-operative</li> <li>c) To making payment for social, co-operative or community purposes within the community served by the co-operative.</li> </ul>	<p>Nothing shall be paid or transferred, either directly or indirectly, by way of dividend, bonus or otherwise by way of profit to shareholders of the Housing Association.</p> <p>The Housing Association's share capital shall be raised by the issue of shares. Each share has the nominal value of one pound which shall carry no right to interest, dividend or bonus.</p>
	<p>The society may use its property and profits only to promote its purposes. It will not pay members any dividend, bonus or other share in profits. This does not prevent it from paying interest on shares, as may be decided by the directors, and the payment of interest on issued share capital will be at such rate/rates as determined by the Board from time to time, but not exceeding 5% per annum or 2% above the Bank of England's base rate, whichever is greater, set at a level which is not in itself a motivation for an individual to acquire shares in the society, and always ensuring the primacy of community benefit as specified in the purposes of the society have been delivered.</p>



## Sample dissolution clauses

<b>Cooperative (not likely to be charitable)</b>	<b>Community benefit society (potentially capable of being charitable)</b>	<b>Community benefit society (may not be capable of being charitable)</b>
<p>The co-operative is a co-ownership enterprise. If on winding up or dissolution of the co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets may be distributed among the members and those persons who were members at any time during the six years prior to the date on which the co-operative decides to wind up.</p>	<p>If on the dissolution of the Association there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Association but shall be given or transferred to some other charitable institution determined by the members of the Association at or before the time of dissolution.</p>	<p>To transfer its assets to one or more of the following:</p> <ul style="list-style-type: none"> <li>i. a prescribed community benefit society whose assets have been made subject to a restriction on use and which will apply that restriction to any assets so transferred;</li> <li>ii. a community interest company;</li> <li>iii. a registered social landlord which has a restriction on the use of its assets which is equivalent to a restriction on use and which will apply that restriction to any assets so transferred;</li> <li>iv. a charity (including a community benefit society that is a charity); or</li> <li>v. a body, established in Northern Ireland or a State other than the UK, that is equivalent to any of those Persons.</li> </ul>

The Co-operative is a common ownership enterprise. If on the winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, these assets shall not be distributed among the members but shall be transferred to some other common ownership co-operatives(s). If such residual assets cannot be distributed in this manner they shall be transferred to some other organisation(s) whose purpose is to promote and support the co-operative movement and common ownership enterprises.

## Appendix 2: Glossary

Term	Definition
Charities Act (Northern Ireland) 2008	<p>The Charities Act (Northern Ireland) 2008 is the main piece of legislation establishing the Charity Commission for Northern Ireland and setting out its functions and powers.</p> <p>References to 'the Charities Act' are to the Charities Act (Northern Ireland) 2008, as amended. The full content of the 2008 Charities Act can be found at <a href="http://www.legislation.gov.uk">www.legislation.gov.uk</a></p> <p>Not all of the sections of the Charities Act are in force yet. Details of the sections that are in force are available on the Commission's website <a href="http://www.charitycommissionni.org.uk">www.charitycommissionni.org.uk</a></p>
Charity directors	Charity directors are also known as charity trustees.
Charity trustees	<p>These are the people who are legally responsible for the control and management of the administration of a charity. In the charity's governing document they may be called trustees, managing trustees, committee members, governors or directors or they may be referred to by some other title.</p> <p>Some people are disqualified by law from acting as charity trustees. These disqualifications are set out in the Charities Act and broadly include but are not limited to anyone who:</p> <ul style="list-style-type: none"> <li>• has been convicted of an offence involving deception or dishonesty, unless the conviction is a spent conviction under the Rehabilitation of Offenders (NI) Order 1978</li> <li>• is an <b>undischarged bankrupt</b> or has made an arrangement with creditors</li> <li>• has previously been removed as a trustee by the Commission or by the Courts</li> <li>• is subject to disqualification under company legislation.</li> </ul>
Community shares	Community shares is a term used to describe withdrawable share capital, a form of equity unique to industrial and provident societies.
Corporate body	A corporate body or body corporate is a collection of persons which, in the eyes of the law, has its own legal existence (and rights and duties) separate from those of the persons who form it from time to time. It has a name or title of its own and may also have a common seal for use on official

Term	Definition
	documents. Also known as corporations, bodies corporate are not necessarily companies, but companies are by definition bodies corporate.
Dividend	A payment made by a corporate body to its shareholders, usually as a distribution of profits. Usually made in cash as cash dividends, but sometimes distributed as stock dividends. In the context of a co-operative, it is a payment made by the co-operative to members as a recognition of the members' transactions with the co-operative.
Governing document	A charity's governing document is any document which sets out the charity's purposes and, usually, how it is to be administered. It may be a trust deed, constitution, memorandum and articles of association, conveyance, Will, Royal Charter, scheme of the Commission or other formal document. In an IPS it is Rules.
Interest on share capital	A payment made by a corporate body to its shareholder that does not amount to profit distribution but as a discretionary operating expense, payable only if the corporation can afford to do so. Interest on share and loan capital must not be more than a rate necessary to obtain and retain enough capital to run the business.
Position in England and Wales	In England and Wales, industrial and provident societies are now known as registered societies following the introduction of the Co-operative and Community Benefit Societies Act 2014. They are required to register with the <a href="#">Financial Conduct Authority (FCA)</a> and those that are charitable have, to date, been regarded as 'exempt' charities by the Charity Commission for England and Wales. This is, however, likely to change as the exemption is gradually removed. This situation does not apply in Northern Ireland in any case as there are no exemptions and a charitable society must register with the Commission and with the Department for the Economy.
Purposes	<p>The purposes of a charity will usually be defined by what its governing document says that it is set up to do. According to the Charities Act, all the organisation's purposes must:</p> <ul style="list-style-type: none"> <li>• fall under one or more of the list of 12 descriptions of charitable purposes in the Charities Act and</li> <li>• be for the public benefit.</li> </ul>

Term	Definition
Share capital	Funds raised by issuing shares in return for cash or other considerations. The amount of share capital a society has can change over time because each time an organisation sells new shares to the public in exchange for cash, the amount of share capital will increase. Shares in an IPS may be transferable or non-transferable and withdrawable or non-withdrawable. Typically, IPSs issue withdrawable, non-transferable shares, which are more commonly referred to as 'membership shares' or 'community shares'.
Special resolution	<p>Under the Industrial and Provident Societies Act (Northern Ireland) 1969, section 59(2), a special resolution is a resolution which is:</p> <p>(a) passed by not less than two-thirds of such members of the society for the time being entitled under the society's rules to vote as may have voted in person, or by proxy where the rules allow proxies, at any general meeting of which notice, specifying the intention to propose the resolution, has been duly given according to those rules; and</p> <p>(b) confirmed by a majority of such members of the society for the time being entitled as aforesaid as may have voted as aforesaid at a subsequent general meeting of which notice has been duly given held not less than fourteen days nor more than one month from the day of the meeting at which the resolution was passed in accordance with paragraph (a).</p>
Undischarged bankrupt	This is someone who has been declared bankrupt, and is not yet discharged from bankruptcy.
W3C Standards	W3C accessibility standards consist of a set of guidelines for making content accessible especially to those web users who have a disability. This standard is recognised internationally.
Withdrawable	If shares are withdrawable this means that members are allowed to withdraw their share capital, subject to the rules of the society. The rules can specify the terms for withdrawal, such as a period of notice of the intention to withdraw or the proportion of total share capital that can be withdrawn at any one time.

## Useful contacts

Companies House	2nd Floor The Linenhall 32-28 Linenhall Street Belfast, BT2 8BG  <b>Telephone:</b> 0303 1234 500 <b>Website:</b> <a href="http://www.gov.uk/government/organisations/companies-house">www.gov.uk/government/organisations/companies-house</a>
Co-operative Alternatives	Unit 40a North City Business Centre 2 Duncairn Gardens Belfast BT15 2GG  <b>Telephone:</b> 028 9073 6075 <b>Website:</b> <a href="http://www.coopalternatives.coop/">www.coopalternatives.coop/</a>
Co-operatives UK	Holyoake House Hanover Street Manchester M60 0AS  <b>Telephone:</b> 0161 214 1750 <b>Website:</b> <a href="http://www.uk.coop">www.uk.coop</a>
Department for Communities  <i>Urban Community and Policy and Housing Regulation Directorate</i>	Lighthouse Building 1 Cromac Place Gasworks Business Park Ormeau Road Belfast BT7 2JB  <b>Telephone:</b> 028 9082 9000 <b>Website:</b> <a href="http://www.communities-ni.gov.uk">www.communities-ni.gov.uk</a>
Department of the Economy  Insolvency Service: Directors Disqualification	Adelaide House 39-49 Adelaide Street Belfast BT2 8FD  Insolvency Service Fermanagh House Ormeau Avenue Belfast BT2 8NJ  <b>Telephone:</b> 028 9025 7777 <b>Website:</b> <a href="http://www.economy-ni.gov.uk">www.economy-ni.gov.uk</a>

HM Revenue and  
Customs (HMRC)

HM Revenue & Customs  
Charities, Savings and International 2  
HM Revenue and Customs  
BX9 1BU  
United Kingdom

**Telephone:** 0300 123 1073

**Website:** [www.gov.uk/charities-and-tax](http://www.gov.uk/charities-and-tax)

# Useful links and guidance

## **Charity Commission for Northern Ireland guidance**

*Charity essentials - view all guidance produced by the Charity Commission for Northern Ireland*

*Code of good governance*

*Registration support*

*Running your charity – guidance*

*Mergers and closures guidance*

*Authorising transactions*

*Requesting a scheme*

## **Other sources of information**

*Community shares handbook*

*[www.coopalternatives.coop/](http://www.coopalternatives.coop/)*

*Industrial and provident Societies Act (Northern Ireland) 1969*

*Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016*



## If you are dissatisfied with our service

The Commission is committed to delivering a quality service at all times. However, we know that sometimes things can go wrong. If you are dissatisfied with the service you have received, we would like to hear from you, and have a procedure that you can use. You will find further information on these processes in our guidance, *Making a complaint about our services*, which is on our website [www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

# Freedom of information and data protection

## Data Protection

Any information you give us will be held securely and in accordance with the rules on data protection. Your personal details will be treated as private and confidential and safeguarded, and will not be disclosed to anyone not connected to the Charity Commission for Northern Ireland unless you have agreed to its release, or in certain circumstances where:

- we are legally obliged to do so
- it is necessary for the proper discharge of our statutory functions
- it is necessary to disclose this information in compliance with our function as regulator of charities where it is in the public interest to do so.

We will ensure that any disclosure made for this purpose is proportionate, considers your right to privacy and is dealt with fairly and lawfully in accordance with the Data Protection Principles of the Data Protection Act.

The Data Protection Act 1998 regulates the use of “personal data”, which is essentially any information, whether kept in computer or paper files, about identifiable individuals. As a “data controller” under the Act, the Charity Commission for Northern Ireland must comply with its requirements.

## Freedom of Information

The Freedom of Information Act 2000 gives members of the public the right to know about and request information that we hold. This includes information received from third parties.

If information is requested under the Freedom of Information Act we will release it, unless there are relevant exemptions. We may choose to consult with you first if this relates to your consultation or application. If you think that information you are providing may be exempt from release if requested, please let us know.

**Further information on our activities is available from:**

**Charity Commission for Northern Ireland  
257 Lough Road  
Lurgan  
Craigavon  
BT66 6NQ**

[www.charitycommissionni.org.uk](http://www.charitycommissionni.org.uk)

**Email: [admin@charitycommissionni.org.uk](mailto:admin@charitycommissionni.org.uk)  
Tel: 028 3832 0220  
Fax: 028 3832 5943  
Textphone: 028 3834 7639**

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