

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT BUILDING SOCIETIES ACT 1986
(MODIFICATIONS) ORDER 2024

Monday 9 December 2024

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Friday 13 December 2024

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The Committee consisted of the following Members:

Chair: PETER DOWD

† Aldridge, Dan (*Weston-super-Mare*) (Lab)
† Bool, Sarah (*South Northamptonshire*) (Con)
† Cooper, Daisy (*St Albans*) (LD)
† Dean, Josh (*Hertford and Stortford*) (Lab)
† Garnier, Mark (*Wyre Forest*) (Con)
† Gelderd, Anna (*South East Cornwall*) (Lab)
† Gosling, Jodie (*Nuneaton*) (Lab)
Jones, Clive (*Wokingham*) (LD)
† Joseph, Sojan (*Ashford*) (Lab)
† Patrick, Matthew (*Wirral West*) (Lab)

† Roca, Tim (*Macclesfield*) (Lab)
† Siddiq, Tulip (*Economic Secretary to the Treasury*)
† Stephenson, Blake (*Mid Bedfordshire*) (Con)
† Wakeford, Christian (*Bury South*) (Lab)
† Walker, Imogen (*Hamilton and Clyde Valley*) (Lab)
† Whittome, Nadia (*Nottingham East*) (Lab)
† Wild, James (*North West Norfolk*) (Con)

Kenneth Fox, *Committee Clerk*

† **attended the Committee**

Second Delegated Legislation Committee

Monday 9 December 2024

[PETER DOWD *in the Chair*]

Draft Building Societies Act 1986 (Modifications) Order 2024

6 pm

The Economic Secretary to the Treasury (Tulip Siddiq): I beg to move,

That the Committee has considered the draft Building Societies Act 1986 (Modifications) Order 2024.

It is a pleasure to serve under your chairmanship, Mr Dowd.

The Government have made clear their support for building societies—mutually-owned financial institutions that specialise in savings and mortgage products—as part of our commitment to modernise the Building Societies Act 1986. The draft order forms part of that commitment. It makes small but much-needed updates to the Building Societies Act 1986 to remove some unnecessary corporate governance burdens for the sector, aligning requirements with those provided to companies operating under the Companies Act 2006. Overall, the instrument supports the Government’s ambition to unlock the full potential of the mutuals sector to help drive innovation and inclusive growth across our country.

The order modernises the 1986 Act by making provisions in two places. First, it amends sections 60 and 61 of the 1986 Act to remove all references to the normal or compulsory retirement age of 70 for directors. This updates the 1986 Act, bringing it in line with the Companies Act 2006, providing building societies with greater flexibility in appointing directors and ending an outdated age-based restriction. After the amendment provided by this statutory instrument, section 60(11) and section 60(13) of the 1986 Act will specify that all directors must step down after three years, regardless of age, although they may be re-elected; members will therefore still be able to scrutinise the performance of all directors, even after the removal of the age requirement.

Secondly, the order amends section 80 of the 1986 Act, changing the current requirement for the balance sheet of a building society to be signed by two directors and the chief executive officer to allow one director to sign the balance sheet on behalf of the board. This further aligns the 1986 Act with the requirement for companies under the Companies Act 2006, removing an unnecessary burden for building societies. The amendment will not impact on the reliability and accountability of the process,

as the full board of a building society is still required to approve the annual reports and accounts, and the signing director’s responsibility is not enhanced by the change.

Together, these amendments will modernise the Building Societies Act 1986 and ensure that building societies have the same modern flexibilities as retail banks operating under the Companies Act 2006. The changes have been supported by the building society sector. For instance, the proposal to amend the Act to allow one director to sign the balance sheet on behalf of the board was welcomed by the sector in a consultation published under the previous Government in December 2021. Although the removal of the retirement age for building society directors was not part of that consultation, it was proposed by the Building Societies Association and another large building society as part of their responses, as seen in the consultation responses published in December 2022. It is therefore evident that the amendments have the support of the sector.

As I mentioned earlier, the order forms part of the Government’s commitment to modernise the Building Societies Act 1986. Some of us may remember that the Building Societies Act 1986 (Amendment) Act 2024 achieved Royal Assent earlier this year. It allows for real-time virtual participation at building society general meetings and provides the Government with powers to introduce subsequent legislation to further modernise the 1986 Act. The Government will look to introduce the changes enabled by that Act in due course.

To conclude—I say to the shadow Minister, the hon. Member for Wyre Forest, once again, as we meet for the second time today—the order will make small but important updates to the Building Societies Act 1986, modernising the Act to align certain corporate governance requirements with the same flexibilities afforded to companies under the Companies Act 2006. It will help to deliver on the Government’s commitment to unlock the full potential of the mutuals sector through ensuring that the legislation supports building societies to grow. I hope that colleagues will help me in supporting the amendments; I commend the order to the Committee.

6.5 pm

Mark Garnier (Wyre Forest) (Con): This Committee may go on record as one of the swiftest yet!

It makes perfect sense to modify the Building Societies Act 1986 to bring it in line with the Companies Act 2006. We have no objection to the order. It is possible that it may only affect one building society, but none the less it would be fairly old-fashioned to have two separate sets of rules depending on which type of business we are discussing. We are behind the order, which makes a huge amount of sense. I will not take any more of the Committee’s time.

Question put and agreed to.

6.6 pm

Committee rose.