

LEWISHAM PLUS CREDIT UNION

Explanatory notes in relation to the revised Rules to be proposed for adoption at the AGM on 1 March 2019

Introduction

Most of the changes involve either clarifying the wording of the relevant Rule to make it easier to understand (for example, the change to Rule 15), or updating references to legislation (for example, the change to Rule 19), or correcting grammatical errors (for example, the change to Rule 7). We do not comment specifically in this note on changes of this kind. Instead, this note summarises those changes which are more substantive in nature.

Rules 23 to 26 – suspension and expulsion from membership

At present, if the Board of Directors resolves to expel a member, in the circumstances permitted by Rule 24, the member is entitled to appeal to a meeting of all members of the Credit Union. This process involves a disproportionate cost for the Credit Union, as it must give notice of the meeting to all members. It is also an inefficient way to consider and resolve such an appeal. The revised Rules provide that the member may appeal instead to the Supervisory Committee of the Credit Union. The revised Rules also clarify that the Directors may suspend a member pending investigation. A suspended member will be entitled to access monies held by them in the Credit Union, but otherwise may be subject to restrictions (for example on attending premises of the Credit Union). Although suspensions and expulsions are rare, it is important that the Credit Union has an efficient process to deal with such matters, and is able to take steps to protect its staff and volunteers.

Rules 54 and 66 – insurance

These Rules currently oblige the Directors to take out insurance for the benefit of members for as long as it is a condition of membership of ABCUL. The revised Rules include permission for the Directors to take out such insurance in all circumstances, irrespective of the ABCUL Rules (which do not currently mandate insurance). The revised Rules also make specific reference to typical restrictions on such insurance (for example, age limits in respect of loan protection insurance).

Rule 62 – guarantor loans

The revised Rules permit a Director, officer or employee of the Credit Union to act as guarantor for another member's loan, subject to certain safeguards as set out in the new Rule 62.

Rules 86, 100-102, 104, 111 – appointment of officers

These Rules have been amended to reflect the new Senior Managers and Certification Regime operated by the Credit Union's regulators, under which certain Directors require the approval of the regulators before they can take up their duties, and certain other officers must meet specified fitness and propriety tests. The changes ensure that any person standing for election or holding office has a better understanding of the regulatory requirements, and help the Credit Union to avoid the appointment of an individual who does not satisfy the applicable regulatory requirement.

Rules 87 and 134 – suspension of officers

These two Rules require a special meeting of members in the event that an officer is suspended and that suspension continues for a period of time. The revised Rules allow a longer period of time to convene such a meeting, in order to provide greater flexibility to resolve the issue in a different way.

Rules 90 and 102 – election process

The revised Rules omit any express reference to election of officers by a secret ballot. Instead, elections are to be conducted following the procedure determined by the Directors from time to time. This eliminates the current inconsistency between Rule 90 and Rule 102.

Rule 105 – terms of office

The revised Rules contain a simpler process to determine which officers need to stand down at each AGM (and, if they wish to continue in office, offer themselves for re-election). In future, any officer who has been appointed during the year under Rule 111 (casual vacancies) must stand down, together with anyone who has been in office for three years. This means that all officers must be appointed by the members at the earliest opportunity, and must be reappointed at least every three years.

Rule 107 – number of Directors

The revised Rules specifically set a maximum of 12 Directors (or such other amount as the members may decide). The current Board of Directors believes that a maximum of 12 is appropriate, and sets the right balance between creating the opportunity for member participation and meeting regulatory requirements as well as permitting efficient operation.

Rule 123 – vacation of office

Paragraph b has been amended to reflect the new regulatory framework, so that an officer must step down if he/she ceases to meet applicable regulatory requirements. Paragraph l has been amended to provide more flexibility, so that the Directors can manage the potential conflict arising if an officer (or an officer's spouse or partner) is involved with the business of the Credit Union in a different capacity.

Rule 126 – Credit Committee

The revised Rule reflects that the Credit Union does not currently have a Credit Committee as referred to in the Rules, but preserves the ability to appoint one in the future.

Rules 162 and 163 – role of ABCUL

The current Board of Directors is very supportive of ABCUL. However, the current Rules mandate that the Credit Union must remain a member of ABCUL unless the members vote to change the Rules. The revised Rules provide more flexibility, as the Credit Union can elect to terminate its membership if the members so decide, or if the Directors and the Supervisory Committee jointly make that decision.