



# Rules of the Society



**Rules  
of  
Skipton  
Building  
Society**

**July  
1998**



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# **RULES**

## **of**

### **Skipton Building Society**

(ALL previous rules rescinded)

#### **1. INTERPRETATION**

For Members holding a Share, Deposit, Loan or advance opened, issued or made before these Rules took effect, these Rules shall, in respect of such Share, Deposit, Loan or advance, be read in conjunction with the Additional Rules set out in the Appendix to the Rules.

In these Rules unless the context otherwise requires -

“Additional Rules” means those rules set out in the Appendix (including the preface to the Appendix) which form part of these Rules and which apply, where indicated, in circumstances where the Share account (including PIBS), the Deposit or loan to the Society or Loan or advance from the Society was opened, issued or made before these Rules took effect.

“Annual Accounts” has the meaning given by Rule 33(3);

“Annual General Meeting” means the meeting held by the Society in the first four months (or such other period as permitted by the Statutes) of each Financial Year at which the Annual Accounts (inter alia) are presented and which is specified as such in the notice convening the meeting;

“Board” means the Board of Directors of the Society;

“Borrower” means a Person (other than a guarantor) who owes money to the Society;

“Borrowing Member” means a Person who is a Member in accordance with paragraphs (d)(e) and (f) of the definition of “Member”.

“Borrowing Members’ Resolution” means

- (a) in relation to a resolution proposed or to be proposed, a resolution that the Statutes require to be passed as a Borrowing Members’ Resolution if it is to be effective for its purpose, and
- (b) in relation to a resolution passed, a resolution passed as a Borrowing Members’ Resolution in accordance with the requirements of the Statutes, and for a purpose that the Statutes require to be effected by the passing of a Borrowing Members’ Resolution;

For the purposes of a Borrowing Members’ Resolution, the meaning of Borrowing Member applied to Individuals by paragraph (d) of the definition of “Member” shall include any body corporate where that body corporate became so indebted, or so entitled and accepted, to the Society before these Rules took effect.

“Chief Executive” means an Individual who is employed by the Society and who, either alone or jointly with one or more other Individuals, is or will be responsible under the immediate authority of the Board for the conduct of the business of the Society and also means, if the office is vacant or if there is for any other reason no Chief Executive capable of acting, an Individual authorised by the Board to act as the deputy or assistant to or in place of the Chief Executive;

“Commission” means the Building Societies Commission established by the Statutes;

“Corporate Representative” means an Individual authorised by resolution of the directors or other governing body of a body corporate, to represent it.

“Deposit” means a deposit with the Society by any Person and includes a loan to the Society and a subordinated deposit (that is, a deposit which, on a winding-up, would fall to be repaid only after repayment in full had been made to the holders of Shares other than deferred Shares);

“Director” means a member of the Board;

“Directors’ Report” has the meaning given by Rule 33(2);

“Financial Year” means the 12 months ending on 31st December in any year;

“Heritable Security” means a security capable of being constituted over any land, by disposition or assignation of that interest, in security of any debt, and of being recorded in the Register of Sasines or, as the case may be, in the Land Register of Scotland, and includes a security constituted by a standard security and any other charge enforceable in the same manner as a standard security;

“Individual” means a natural person.

“Loan” means a loan from the Society which is fully or substantially secured on land within the meaning of the Statutes and the Rules. For the purposes of the Rules “substantially” means where not less than 50% of the Loan is secured on land;

“the London Stock Exchange” means the London Stock Exchange Limited;

“Manager” means an Individual (other than the Chief Executive) employed by the Society who, under the immediate authority of a Director or the Chief Executive, exercises managerial functions or is responsible for maintaining accounts or other records of the Society;

“Member” means -

- (a) a Person who holds a Share in the Society (other than a PIBS), or
- (b) a Person whose name is entered in the Register of Members as a holder of a PIBS, or
- (c) a Person who is a Shareholder who has been allowed by the Society to overdraw on his account and whose membership has not ceased under Rule 6(2), or
- (d) an Individual who is a Borrower from the Society in respect of a Loan fully secured or substantially secured on land (and in these Rules the words “fully secured on land” shall have the same meaning as in the Building Societies Act 1986) or a Loan from another building society whose interest in the Loan has, as the result of any amalgamation or transfer of engagements, passed to the Society, or
- (e) an Individual who, subject to the terms and conditions of the Mortgage is a Borrower by having taken with the consent of the Society a transfer of any land already in mortgage to the Society, or
- (f) an Individual who on the death of a Borrower or otherwise on transfer by operation of law becomes entitled to land already in mortgage to the Society and (being willing to become a Member) is accepted by the Board as a Member while such Mortgage shall be outstanding;

“Memorandum” means the Memorandum, for the time being in force, of the purpose and the extent of the powers of the Society agreed upon by the Society pursuant to the Statutes;

“Month” means a calendar month;

“Mortgage” includes a charge and, in Scotland, a Heritable Security over land;

“Mortgage Debt” means the total amount outstanding in respect of -

- (a) the principal of a Loan,
- (b) interest on the Loan, and
- (c) any other sum that the Borrower is obliged to pay the Society under the terms of the Loan;

“Officer” means any Director, Chief Executive, Secretary or Manager of the Society and all Officers of the Society shall be bound by these Rules and the Memorandum;

“Ordinary Resolution” means

- (a) in relation to a resolution proposed or to be proposed, a resolution that the Statutes require to be passed as an Ordinary Resolution if it is to be effective for its purpose,
- (b) in relation to a resolution passed, a resolution passed as an Ordinary Resolution in accordance with the requirements of the Statutes, and for a purpose that the Statutes require to be effected by the passing of an Ordinary Resolution,
- (c) in relation to (a) and (b) above, a resolution which will be effective without being passed as a Special Resolution, Shareholding Members’ Resolution or Borrowing Members’ Resolution;

“Person” means an Individual or a body corporate;

“PIBS” means a Share which by its terms of issue -

- (a) is a deferred Share as defined in the Statutes, and
- (b) is to be classified as a permanent interest bearing Share for the purposes of the Rules;

“PIBS Certificate” means a share certificate issued under the common seal of the Society in respect of a PIBS;

“Primary Holder” means the Person who is the sole Shareholder or sole Borrower or the Representative Joint Shareholder or the Representative Joint Borrower (as the case may be);

“Principal Office” means the Principal Office of the Society for the time being;

“Registered Address” means -

- (a) in relation to any Member
  - (i) the address currently shown in the Register of Members, or
  - (ii) if the Member has requested that all communications from the Society be sent to some other

address, that other address, or

- (b) in relation to the holder of a power of attorney which has been duly registered in the records of the Society at the Principal Office, the Registered Address of the holder of the power of attorney, and in each case if the Board so requires shall be an address in the United Kingdom;

“Register of Members” means the records of the Society comprising the Register of Members maintained pursuant to the Statutes showing the name and address of each Member, and whether each Member is a Shareholding Member or a Borrowing Member or both;

“Representative Joint Borrower” means that joint recipient of a Loan from the Society -

- (a) fully secured on land, or  
(b) substantially secured on land,

who is named first in the records of the Society in respect of that Loan;

“Representative Joint Shareholder” means that joint holder of a Share who is named first in the records of the Society in respect of that Share;

“Rules” means the Rules of the Society for the time being in force;

“Secretary” means the Officer appointed by the Board to be the Secretary of the Society and also means, if the office is vacant or if there is for any other reason no Secretary capable of acting, an Individual authorised by the Board to act as the deputy or assistant to or in place of the Secretary;

“Share” means a share issued by the Society -

- (a) in return for payment, or  
(b) in pursuance of the fulfilment by the Society of the engagements of another building society, or  
(c) by way of capitalisation of interest credited or application of reserves, or  
(d) for such consideration as the Board shall determine,

and includes stock and a part or fraction of a Share;

“Shareholder” means a Person who has a Shareholding;

“Shareholding” means the holding by a Member of a Share or Shares (whether in a class or not);

“Shareholding Member” means a Person who is a Member in accordance with the provisions of paragraphs (a), (b) and (c) of the definition of “Member”;

“Shareholding Members’ Resolution” means

- (i) in relation to a resolution proposed or to be proposed, a resolution that the Statutes require to be passed as a Shareholding Members’ Resolution for it to be effective for its purpose;  
(ii) in relation to a resolution passed, a resolution passed as a Shareholding Members’ Resolution in accordance with the requirements of the Statutes, and for a purpose that the Statutes require to be effected by the passing of a Shareholding Members’ Resolution;

“Society” means Skipton Building Society;

“Special Resolution” means

- (a) in relation to a resolution proposed or to be proposed, a resolution that the Statutes require to be passed as a Special Resolution if it is to be effective for its purpose, and  
(b) in relation to a resolution passed, a resolution passed as a Special Resolution in accordance with the requirements of the Statutes and for a purpose that the Statutes require to be effected by the passing of a Special Resolution;

“Statutes” means the Building Societies Act 1986, or other Act or Acts, or statutory provisions from time to time in force relating to building societies;

for the purposes of any reference in these Rules to the value of a Shareholding, that value shall, subject as provided below, be taken as the amount standing to the credit of the Shareholder in respect of -

- (a) payments made by him on the Shares, and  
(b) interest credited to him by way of capitalisation or application of reserves;

for the purposes of any reference in these Rules to the value of a Person’s Shareholding in the Society, that value shall, in the case of a PIBS, be its paid up nominal value;

for the purposes of these Rules, a Person holds a PIBS when, and for so long as, his name is entered in the Register of Members as the holder of that PIBS (but at no other time);

words importing the masculine include the feminine, and words importing the singular include the plural, and vice versa;

other words or expressions to which a particular meaning is given in the Statutes shall bear the same meaning in the Rules;

references in these Rules to any statute shall be deemed also to be references to any statutory modification or re-enactment thereof or any statutory instrument, order, regulations or other subordinate legislation made thereunder or under any such statutory modification or re-enactment;

except where the context expressly requires otherwise, these Rules shall be governed by and construed in accordance with English law.

In these Rules, each amount, figure, length of time or percentage shall be read as if followed by the words "or such other amount, figure, length of time or percentage (as appropriate) which is for the time being the maximum permitted for this purpose by the Statutes". Such Rules include -

- (i) paragraphs (1)(d), (4), (5) and (7) of Rule 16 (Eligibility and Election of Directors),
- (ii) paragraph (1) of Rule 17 (Qualification of Directors),
- (iii) paragraph (1)(b) of Rule 27 (Vacation of Office and Disqualification),
- (iv) paragraph (5)(g) of Rule 33 (Annual General Meeting),
- (v) paragraphs (3), (4)(a) and (4)(b) of Rule 34 (Special Meetings),
- (vi) paragraphs (9)(a) and (9)(b) of Rule 35 (Notice of Meetings),
- (vii) paragraph (9)(b) of Rule 37 (Procedure at Meetings),
- (viii) paragraphs (2)(c) and (3)(c) of Rule 38 (Entitlement of Members to Vote on Resolutions), and
- (ix) paragraph (5)(c) of Rule 43 (Auditors).

## **2. NAME**

The name of the Society is "Skipton Building Society".

## **3. PRINCIPAL OFFICE**

- (1) The address of the Principal Office is The Bailey, Skipton, North Yorkshire BD23 1DN.
- (2) The Board may from time to time by resolution change the place of the Principal Office.

## **4. MEMBERSHIP**

- (1) Each Member, and all Persons claiming through him or on his account or under the Rules, shall be bound by the Rules and by the Memorandum and where applicable, by the Additional Rules contained in the Appendix in respect of accounts opened before these Rules took effect.
- (2) Each Member shall, on demand, be given a copy of the Rules and of the Memorandum
  - (a) free of charge, if he has not previously been given a copy, or
  - (b) upon payment of £1, or such other fee as may be duly prescribed from time to time by the Commission, if he has already been given a copy.
- (3) Each Member shall notify the Society immediately of any change of name or address and shall produce such evidence thereof as the Society may require.
- (4) Each Member shall supply a specimen of his signature as and when required.
- (5) Two or more Persons may jointly hold a Share unless the terms of issue forbid a joint holding but no Share shall be issued to the holders, or be held by them at any time, as tenants in common. The Board may decline to issue any Share or to make a Loan or Mortgage or refuse to transfer any such Share or Loan to more than four Persons jointly. Joint Shareholders or joint Borrowers shall be entitled to choose the order in which they are named in the records of the Society.
- (6) A Shareholder or all joint Shareholders (other than of a PIBS) may authorise in writing an agent (who may be one of the joint Shareholders) to withdraw any Share or to receive any interest or bonus paid in respect thereof and the receipt of, or evidence of payment to, an agent so authorised shall be a good discharge to the Society.
- (7) The Board may in its absolute discretion and without giving any reason refuse to -
  - (a) issue a Share to any Person, or
  - (b) make a Loan fully or substantially secured on land to any Individual, or

- (c) accept any Person (except a holder of a PIBS) as a Member.
- (8) If the Society accepts, or has accepted, a transfer of engagements of any other building society, any Person who becomes a Member of the Society by virtue of the transfer shall be deemed to have been a Member at any date before the transfer on which he was a member of the transferor society, and
- (a) in the case of a member holding shares in the transferor society to have had a Shareholding on that date to the value of his shares in the transferor society, or
  - (b) in the case of a member to whom a Loan has been made by the transferor society, to have owed the Society on that date the amount of his mortgage debt to the transferor society.
- (9) Where at any time a Person is or is to be registered as the Primary Holder:
- (a) of Shares in the Society in respect of more than one Share account, he shall ensure that his name and Registered Address are notified to the Society in identical terms in respect of each account,
  - (b) in respect of more than one Loan, he shall ensure that his name and Registered Address are notified in identical terms in respect of each Loan,
  - (c) in respect of Shares relating to a Share Account and a Loan he shall ensure that his name and Registered Address are notified to the Society in identical terms in respect of the Shareholding and the Loan.
- (10) Where in relation to any two Share accounts or Loans, the names or Registered Addresses of the Primary Holders of the Shares or Loans comprised in those accounts have been notified to the Society in terms which are not identical, the Society shall be entitled to assume (in the absence of notice to the contrary satisfying paragraph (12) of this Rule) that those Shares or Loans are held by different Primary Holders. Where in relation to any two Share accounts or Loans, the names and addresses of the Primary Holders of the Shares or Loans comprised in those accounts have been notified to the Society in terms which are identical, the Society shall be entitled to assume (in the absence of notice to the contrary satisfying paragraph (12) of this Rule) that the Shares or Loans in both accounts are held by the same Primary Holder.
- (11) Where a Share account is opened or a Loan is made during a Financial Year, the Society shall be entitled to assume that the Primary Holder of the Shares comprised in that account or in respect of a Loan was not a Member of the Society at the end of the last Financial Year unless either -
- (a) it has notice to the contrary satisfying paragraph (12) of this Rule, or
  - (b) at the end of the last Financial Year the Register of Members included an entry showing a Person of the same name and address as the Primary Holder of Shares in the Society or as a sole Borrowing Member of the Society or as a Representative Joint Shareholder or as a Representative Joint Borrower (as the case may be).
- (12) Notice to the contrary for the purpose of the foregoing paragraphs of this Rule means express written notice received by the Society after the coming into effect of these Rules. If the Society receives notice to the contrary for the purposes of paragraphs (10) or (11) of this Rule, it shall make such entries in the Register of Members as are appropriate in the circumstances
- (13) References in the foregoing paragraphs (9), (10) and (11) to a "Share account" or "accounts" shall, in the case of Shares issued by the Society which are not comprised in a Share account, be deemed to be references to the Share or Shares issued or transferred to a Person at any time.
- (14) Except where a Member has executed a power of attorney which has been duly registered at the Principal Office, if the Society has reason to believe that communications sent to a Member or to the holder of a power of attorney at the Registered Address of the Member or of the holder of the power of attorney are unlikely to be received by the Member or the holder of a power of attorney, then the Society shall be entitled to stop sending communications to that Member or to that holder of a power of attorney (as the case may be) at the Registered Address, until such time as the Society shall have evidence produced and satisfactory to it that communications sent to the Member or the holder of a power of attorney at the Registered Address will be received by that Member or the holder of a power of attorney.

## **5. DEATH OR BANKRUPTCY OF MEMBER**

Any Person becoming entitled to a Share or to land already in mortgage to the Society in consequence of the death or bankruptcy of a Member may, upon such evidence being produced and upon the payment of such fee (if any) as the Board may from time to time require (no such fee being payable in the case of a PIBS), request to be registered as the Shareholder or as the Member in respect of the Mortgage and, if registration is refused in respect of a Share (other than a PIBS), the Society shall repay that Share with interest thereon up to the date of repayment at the rate then being paid on that type of Share.

## **6. CESSATION OF MEMBERSHIP**

- (1) Subject to paragraph (2) below a Member -
  - (i) shall cease to be a Member, for the purposes of paragraph (a) of the definition of Member in Rule 1, if he ceases to hold a Share or Shares in the Society (other than a PIBS);
  - (ii) shall cease to be a Member, for the purposes of paragraph (b) of the definition of Member in Rule 1, if his name is no longer entered in the Register of Members as a holder of a PIBS;
  - (iii) shall cease to be a Member, for the purposes of paragraph (c) of the definition of Member in Rule 1, if, having been a Member who has been allowed by the Society to overdraw on his account, his membership ceases under Rule 6(2);
  - (iv) shall cease to be a Member, for the purposes of paragraphs (d), (e) and (f) of the definition of Member in Rule 1, if, having been accepted as a Member without holding any Share, he holds no Shares in the Society and no moneys are owed by him to the Society in respect of any Mortgage or Loan in respect of which he has been designated a Member, or
  - (v) shall cease to be a Member, for the purposes of paragraphs (d), (e) and (f) of the definition of Member in Rule 1, if the Society -
    - (a) takes possession of, or exercises its power of sale in relation to, the whole or any part of the land on which the Loan is secured, or
    - (b) obtains an order for foreclosure absolute or, in Scotland, foreclosure in respect of the whole or any part of that land, or
    - (c) serves upon him notice that it has transferred or assigned its interest in his Mortgage, unless the Board determines to the contrary in a particular case or class of cases.
- (2) If the Society allows a Shareholder to overdraw on his account, he shall not cease to be a Member so long as the amount overdrawn does not exceed the limit to which the Society has for the time being consented but, if -
  - (a) the amount overdrawn exceeds that limit, or
  - (b) consent to overdrawing is withdrawn,he shall cease to be a Member on such date as the Society may decide.

## **7. RAISING OF FUNDS**

The Society may raise funds in accordance with and subject to the Statutes.

## **8. SHARES**

Members who have one or more Share accounts (including PIBS) currently in existence which were opened before these Rules took effect should read this Rule in conjunction with Additional Rule 1.

- (1) The power of the Society to raise funds by the issue of Shares shall be exercised, subject to these Rules and the Statutes, by the issue of Shares or classes of Shares as the Board may from time to time determine (including, without prejudice to the generality of the foregoing, preferential and deferred Shares) and the Board may decide to discontinue, suspend, limit or resume the issue of any Shares or class of Shares.
- (2) Preferential Shares and deferred Shares (whether or not they are deferred Shares within the meaning of the Statutes) may be issued on such terms and conditions as the Board may from time to time determine but the Society's liabilities in respect of preferential and deferred Shares immediately following any issue of preferential and/or deferred shares shall not exceed 25% of the Society's liabilities as a whole.
- (3) The terms on which Shares or classes of Shares are to be issued shall be determined by the Society and, without prejudice to the generality of the power of the Society to determine such terms, the Society may at any time change the terms on which Shares or any particular class of Shares already issued are held, in the manner and subject to the conditions set out in the terms applying at that time to such Shares or class of Shares. The Society shall use its best endeavours to ensure that any such alteration is publicised as follows -
  - (i) by post to the Members, or
  - (ii) by a notice exhibited at the Principal Office and at all branch offices of the Society and by advertisement in accordance with Rule 48(1), or
  - (iii) by such other means as may be set out in the terms applying to the Share.

An accidental omission to exhibit a notice (where required) or to publicise under 8(3)(ii) or (iii) above shall not affect the validity of the alteration.

This Rule is subject, in respect of PIBS (if any), to the terms and conditions of the issue of the PIBS.

(4) If -

- (a) a Member domiciled in any part of the United Kingdom dies testate or intestate, and
- (b) at the time of his death the sum of money standing to his credit in the accounting records of the Society in respect of his Shareholding (other than a PIBS) does not exceed the amount specified in or under the provision of the Statutes\* regarding payment to a Person who claims to be beneficially entitled without probate of the will or the grant of letters of administration or confirmation,

then, although there is no probate of the will or letters of administration or confirmation, as the case may be, the Society may pay that sum of money to a Person who claims to be beneficially entitled to that sum of money and who satisfies the requirements of the Statutes for the production to the Society of appropriate evidence of his entitlement. Any payment by the Society to any Person claiming to be entitled to such payment, in accordance with the Statutes shall be valid and effectual with respect to any demand against the funds of the Society from any other Person claiming to be entitled thereto.

(5) On proof of the death of any joint Shareholder, the survivor or survivors shall be the only Person or Persons who may be recognised by the Society as having any title to or interest in the Shareholding and he or they shall be entitled, subject to the terms and conditions of the issue of the Shares and to these Rules to transfer such Shareholding and to withdraw principal and interest accordingly.

(6) If it appears to the Board that any Shareholding Member is suffering from mental disorder or is through mental infirmity arising from disease or age incapable of managing his affairs, any Person appearing to the Board to have the care of such Shareholding Member or the management of his affairs may with the Board's consent withdraw the whole or any part of the amount standing to the credit of that Shareholding Member's Share account (other than a Share account (if any) relating to a PIBS held by that Shareholding Member and in which case subject to the terms and conditions of issue of a PIBS) but, except in Scotland and in Northern Ireland, such consent shall not be given until -

- (a) the Society has given to the Court of Protection notice in writing of the intention to give such consent specifying the name and address of the Person appearing to have the care of, or the management of the affairs of, such Shareholding Member and the amount and nature of the sum to be withdrawn, and
- (b) the Society has received from the Court notice in writing that the Court does not object to the giving of such consent, provided that in any case of exceptional urgency the Board without awaiting the receipt of such notice may consent to the withdrawal of a single sum not exceeding such sum as the Board from time to time thinks fit,

and in Scotland, if the Shareholding Member has a factor, curator or tutor, such consent shall be given only with the approval of that Person and in Northern Ireland, if the Shareholding Member has a receiver, committee, guardian or controller, such consent shall be given only with the approval of that Person.

A Person appearing to the Board to have the care of, or the management of the affairs of, a Shareholding Member may be required for the purposes of this paragraph to give such indemnity against all claims in respect of the amount to be withdrawn as the Board thinks fit for the protection of the Society.

(7) Any fully-paid PIBS may, subject to Rule 4(5), be transferred to any Person. No transfer of a PIBS shall be valid unless made in a form approved by the Board and until registered in the Register of Members. No charge shall be made in respect of any entries in the Register of Members concerning transfers and other documents relating to or affecting the title to any PIBS. The registration of transfers of PIBS or of any class of PIBS may be suspended at such times and for such periods as the Board may determine but not for more than 30 days in any year and notice of such suspension shall be given by advertisement in not less than two national daily newspapers. A fully paid PIBS shall be free from all liens in respect of liabilities to the Society. The Board may retain any instrument of transfer which is registered. The Board shall have power to implement any procedures as it thinks fit for the transfer of PIBS and for the regulation of those procedures and to permit PIBS to be transferred other than by a written instrument. Nothing in these Rules shall require a PIBS to be transferred by a written instrument if the Board has resolved that no such instrument be required.

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\* This footnote is **not** part of the Rules. When these Rules were printed the "Statutes" applicable were the Building Societies Act 1986 which specified an amount of £5,000. This amount applies in relation to deaths occurring after 10th May 1984. The amount applicable to deaths occurring on or before that date was £1,500.

- (8) If full provision has been made for the Society's outstanding liabilities (including for this purpose all notices of withdrawal of any Shareholding) the Board may, without giving any reason, give to the holder, not being a Director, of any Share (but subject, in the case of any PIBS, to the terms and conditions of issue of such PIBS) that has not been issued for a fixed term not less than one month's notice in writing of intention to repay the Shareholding in whole or in part. The Board may at the expiration of such notice pay to the Shareholder either the whole or the part of his Shareholding in respect of which notice has been given. Such Shareholder shall be paid interest on the whole or the part of his Shareholding so repaid, up to and including the date of payment at the rate or rates currently being paid at the date of payment. Where a payment is to be made under this paragraph, it may be made in cash or by cheque sent by ordinary post to the sole Shareholder or to the Representative Joint Shareholder or to an agent already authorised by such sole Shareholder or all the joint Shareholders to give a receipt for sums paid by the Society. Upon such payment in cash or upon the posting of such cheque, (i) the Shareholder shall have no further right or interest in the whole or the part that has been repaid and (ii) the Shareholder shall cease to be a Member, in relation to that account.

## **9. PIBS RECORDS**

- (1) Every holder of a PIBS will, unless the Board determines otherwise in relation to the PIBS or generally, if he shall make a written request to the Society, be supplied by the Society with one PIBS Certificate for all those PIBS of any one class of PIBS held by him.
- (2) A holder of a PIBS in relation to any PIBS he holds shall be deemed not to be the holder of a Share account with the Society in respect of his holding of any PIBS.
- (3) Every Person entered in the records of the Society as the holder of a PIBS who has not previously requested to be supplied by the Society with a PIBS Certificate shall within one month after making a written request to the Society be supplied by the Society with a PIBS Certificate. Except as provided above, nothing in these Rules shall require a PIBS to be evidenced by a PIBS Certificate or other written instrument.
- (4) A Member holding a PIBS shall immediately notify the Society in writing at its Principal Office if he discovers that his PIBS Certificate is missing. If a PIBS Certificate is defaced, damaged, worn out, lost, stolen or destroyed, it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of any exceptional out of pocket expenses of the Society investigating the evidence and preparing the indemnity as the Board may decide and, where it is defaced, damaged or worn out, delivery of the old PIBS Certificate to the Society. Save as aforesaid, nothing in these Rules shall require a PIBS to be evidenced by a PIBS Certificate or other written instrument.
- (5) A holder of PIBS who transfers some but not all of the PIBS comprised in a PIBS Certificate shall be supplied on request with a PIBS Certificate for the balance without charge.

## **10. SALE OF A PIBS**

- (1) The Society may sell on behalf of the holder of, or Person entitled by transmission to, a PIBS for the best price reasonably obtainable, if -
- (i) the PIBS has been in issue throughout the qualifying period and at least three interest payments have become payable in respect of the PIBS during the qualifying period;
  - (ii) no interest payable on the PIBS has either been claimed by presentation to the paying bank of the relative cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or Person entitled by transmission to, the PIBS at any time during the relevant period;
  - (iii) so far as any Director of the Society at the end of the relevant period is then aware, the Society has not at any time during the relevant period received any communication from the holder of, or Person entitled by transmission to, the PIBS;
  - (iv) the Society has caused two advertisements to be published, one in a daily newspaper with a national circulation and the other in a newspaper circulating in the area of the address of the holder of, or Person entitled by transmission to, the PIBS shown in the Register of Members, giving notice of its intention to sell the PIBS and a period of three months has elapsed from the date of publication of the advertisements or of the last of the two advertisements to be published if they are published on different dates; and
  - (v) in the case of a PIBS which has been admitted to the Official List of the London Stock Exchange or otherwise admitted to listing on any other stock exchange, the Society has given notice (if such notice is required by the applicable rules of the relevant stock exchange) to the Listing Department of the London Stock Exchange or, as the case may be, to the equivalent department or other body

of any such other stock exchange to which notice is so required to be given of its intention to sell the PIBS.

- (2) If, after the publication of either or both of the advertisements referred to in sub-paragraph (1)(iv) above but before the Society has become entitled to sell the PIBS pursuant to paragraph (1) above, the requirements of sub-paragraph (1)(ii) or (iii) above cease to be satisfied, the Society may nevertheless sell those PIBS after the requirements of sub-paragraphs (1)(i) to (v) above have been satisfied afresh in relation to them.
- (3) If during any relevant period a further PIBS has been issued in respect of that held at the beginning of that relevant period or of any PIBS previously issued during that relevant period and all the requirements of sub-paragraphs (1)(ii) to (v) above have been satisfied in regard to the further PIBS, the Society may also sell the further PIBS.
- (4) To give effect to any sale of a PIBS pursuant to this Rule 10, the Board may authorise a Person (the “transferor”) to transfer the PIBS in question and to execute as transferor an instrument of transfer of the PIBS or take such other action as may be appropriate to give effect to the transfer of a PIBS and the instrument of transfer, or as the case may be such other action, and the transfer shall be as effective as if it had been executed or taken by the holder of, or Person entitled by transmission to, the PIBS.
- (5) The purchaser shall not be bound to see to the application of the purchase moneys nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of sale shall belong to the Society and upon their receipt, the Society shall become indebted to the former holder of, or Person entitled by transmission to, the PIBS for an amount equal to the net proceeds. No trust shall be created in respect of the debt and no interest shall be payable in respect of it and the Society shall not be required to account for any moneys earned from the net proceeds which may be used in the business of the Society or as it thinks fit.
- (6) For the purpose of this Rule 10 -

“Person entitled by transmission” means a Person whose entitlement to a Share in consequence of the death or bankruptcy of a Member, or any other event giving rise to its transmission by operation of law has been noted in the records of the Society;

“the qualifying period” means the period of twelve years immediately preceding the date of publication of the advertisements referred to in paragraph (1)(iv) above or of the first of the two advertisements to be published if they are published on different dates; and

“the relevant period” means the period beginning at the commencement of the qualifying period and ending on the date when all the requirements of paragraph (1) above have been satisfied.

## **11. DEPOSITS AND LOANS**

Any Person who made a Deposit with or loan to the Society before these Rules took effect should read this Rule in conjunction with Additional Rule 5.

- (1) The power of the Society to borrow money from any Person on Deposit or by way of loan may be exercised, subject to these Rules and the Statutes only, by the receipt of Deposits or loans or classes of Deposits or loans as the Board may from time to time determine.
- (2) The Board shall have power to determine the terms on which Deposits or loans or classes of Deposits or loans are to be received and, without prejudice to the generality of this power, the Board may determine the rates of interest or bonus (if any) to be paid on Deposits or loans or on classes of Deposits or loans, and the conditions subject to which the same shall be payable.
- (3) The Society may give such security upon any of its assets for any Deposits or loans as the Board may from time to time consider expedient.
- (4) The receipt of a Deposit as from time to time defined in or under the Statutes shall be on terms that Rule 4(3) to (6), Rule 5, Rule 8(5) to (11), Rule 9, Rule 10, Rule 15(5) and Rule 48 apply mutatis mutandis to a Depositor and a Deposit as those Rules apply to a Shareholder (other than a holder of a PIBS) and a Share (other than a PIBS).

## **12. LENDING**

Any Person who made a Deposit with or Loan to the Society before these Rules took effect should read this Rule in conjunction with Additional Rule 6.

- (1) The Society may make Loans, with or without security, upon such terms and conditions as the Board may determine from time to time, subject to the Statutes, the Memorandum and these Rules.
- (2) The making of Loans in accordance with paragraph (1) above shall be in such proportions and order and

upon such terms and conditions (including the rate of interest initially payable and the manner of repayment) as the Board may determine from time to time.

- (3) For the purposes of determining who is qualified to vote on any resolution of the Society, the rights of joint Borrowers as Borrowing Members of the Society shall be treated as the rights of the Representative Joint Borrower alone.
- (4) If and so long as a Mortgage or other Loan account is shown in the records of the Society as a joint account, the Society shall be entitled to assume that any Borrower, who is not at any relevant time the Representative Joint Borrower then denoted on the account, is not entitled to vote on any resolution of the Society.

### **13. FINES**

Fines may be charged by the Society to the account of a Borrower in respect of moneys due but unpaid to the Society in such amounts not exceeding two pence per month per £1 of the amount in arrears (fractional parts of £1 being ignored) and at such times as the Board may from time to time determine and so long as unpaid all fines shall bear interest at the rate from time to time payable under the Mortgage.

Every fine shall be payable without demand on the date upon which the fine is imposed. Fines and interest shall be a charge on any property mortgaged to the Society.

### **14. REDEMPTION OF MORTGAGES**

Members who received a Loan or advance from the Society before these Rules took effect should read this Rule in conjunction with Additional Rule 8.

- (1) If a Member wishes to repay the whole of a Mortgage Debt before the time agreed, the Member may do so provided that the Member shall (subject to the terms and conditions of the Mortgage) pay to the Society all sums owing in respect of such Mortgage Debt at the date of redemption including interest calculated up to the date of redemption, including any fines, and in addition -
  - (a) the Society's costs and expenses connected with such repayment, and
  - (b) interest (if any) (in lieu of any period of notice) as may be required under the Mortgage deed, and
  - (c) additional interest upon the balance owing at the date of redemption and such fees and charges as the Board may from time to time determine.
- (2) If a Member wishes to repay part of a Mortgage Debt before the time agreed in relation to that part, then the Member may do so provided that the Member shall (subject to the terms and conditions of the Mortgage) pay to the Society all sums owed to the Society in respect of the part of the Mortgage Debt at the date of repayment including interest calculated up to the date of repayment including any fines, and in addition -
  - (a) the Society's costs and expenses connected with repayment of part of the Mortgage Debt,
  - (b) interest (if any) (in lieu of any period of notice) as may be required under the Mortgage deed, and
  - (c) additional interest as the Board shall determine on the balance being repaid to the Society, together with such other fees and charges as the Board may, from time to time, determine.

### **15. DIRECTION AND MANAGEMENT**

- (1) The business of the Society and any business that the Society proposes to carry on shall be under the direction of a Board of Directors consisting of not more than 15 nor (subject to the provisions of Rule 28(6)) less than 6 members and the Board may from time to time resolve the number who together shall constitute the Board within these limitations.
- (2) The Board may exercise all those powers of the Society that are not, by the Statutes or by these Rules, required to be exercised by the Society in general meeting.
- (3) No Rule or alteration to a Rule made by the Society in general meeting shall invalidate any act of the Board prior to the date on which the Rule or alteration takes effect that would have been valid if that Rule or alteration had not been made.
- (4) Without prejudice to the generality of the above paragraphs (1), (2) and (3), the Board -
  - (a) shall ensure the direction and management of all affairs and business of the Society by a sufficient number of persons fit and proper to be Directors or other Officers, in their respective positions, with prudence and integrity, in the best interests of the Members, in accordance with the Statutes, the Memorandum and these Rules;
  - (b) may make, vary or revoke regulations for the conduct of business at meetings of the Board;

- (c) may appoint, and terminate the appointment of, any Members of the Society as members of a local board with such powers, duties, discretions and authorities as the Board may at any time delegate to that board but so that -
    - (i) each Director shall be a member ex officio of any such local board but no Director shall receive any remuneration by reason of his being an ex officio member of such local board,
    - (ii) two members of a local board shall form a quorum, and
    - (iii) no Member shall be eligible for appointment to, or continue as a member of, any local board unless he shall have a Shareholding in his own right of not less than £1,000;
  - (d) may, without prejudice to the generality of the above sub-paragraph (c)(i), remunerate out of the funds of the Society, and pay the reasonable expenses and any professional and other fees of the members of any local board;
  - (e) may pay out of the funds of the Society the expenses of the Society and such sums as the Board may deem necessary or expedient to be paid in the interests of the Society, but no Director (other than a holder of any executive office) shall receive any payment save as is authorised by these Rules;
  - (f) may make, vary or revoke regulations for the conduct of all affairs and business of the Society, provided that the same are not inconsistent with the Statutes, the Memorandum and these Rules;
  - (g) may authorise the use of all forms, instruments and other documents that it may deem necessary for the proper conduct of the business of the Society;
  - (h) may delegate any of its powers, duties, discretions and authorities relating to the business of the Society to
    - (i) one or more Directors,
    - (ii) committees consisting of such Director and Directors, other Officer or Officers and/or employee or employees as it thinks fit,
    - (iii) one or more Officers or employees,
  - (i) may maintain the liquid assets of the Society in the manner authorised by or under the Statutes.
- (5) The Board may -
- (a) demand payment or reimbursement from any Member in respect of any cost, expense or liability that the Society may incur directly resulting from any act, default or neglect of such Member. Such charges, including a proper sum for the cost of time, facilities, accommodation and services of its Officers, employees and agents shall be recoverable from the Member on the basis of a full indemnity. In the case of a Borrowing Member this sum, if unpaid, may be debited to the mortgage account with interest at the rate payable from time to time, and
  - (b) from time to time levy charges in respect of services offered to Members. The Society shall give not less than one month's notice of its intention to impose such charges and a list of charges shall be publicised in accordance with Rule 48(1). An accidental omission to exhibit such notice shall not affect the validity of such charges.

## **16. ELIGIBILITY AND ELECTION OF DIRECTORS**

- (1) No Individual shall be elected or appointed as a Director unless -
- (a) he will be less than 70 years of age at the date on which the election, or in the case of an appointment under Rule 28, the appointment, would take effect,
  - (b) he is qualified under Rule 17 at the date of his election or, in the case of appointment under Rule 28, the date of his appointment,
  - (c) he is not a minor, and
  - (d) (except in the case of appointment under Rule 28 or nomination under paragraph (8) below, or where a Director retires under Rule 29), a form nominating him, signed by not less than 200 Members who comply with the requirements of paragraph (3) below and addressed to the Secretary has been delivered at the Principal Office. A nomination may be made at any time but, if made after the end of the Financial Year preceding the Annual General Meeting at which the vacancy in respect of which he is nominated is to be filled, the nomination shall be carried forward (unless the candidate otherwise requires) as a nomination for the next election of Directors at the next Annual General Meeting.

The nomination form shall contain the full name, address, age and occupation of the Individual

nominated, his consent to be so nominated, and the full names and addresses of the Members proposing his nomination. The nomination form shall be dated with the date of its delivery at the Principal Office and that date shall be deemed to be the date of nomination for the purpose of paragraph (3) below.

- (2) In exercise of its duties pursuant to Rule 15(4)(a) the Board may require any Individual nominated for election as a Director to supply in writing in such form as the Board may specify, evidence as to his qualifications, financial and managerial experience, creditworthiness, competence and character and to complete in draft any form or questionnaire that, if elected, he would be required to submit to any regulatory authority in accordance with the Statutes.
- (3) The requirements with which a Member must comply in order to be eligible to nominate an Individual as a Director are as follows -
  - (a) he must have been a Member for not less than 2 years before the date of nomination, and
  - (b) either -
    - (i) if he claims eligibility as a Shareholding Member, he must hold at that date Shares to the value of not less than £100, or
    - (ii) if he claims eligibility as a Borrowing Member he must owe at that date a Mortgage Debt of an amount not less than £100,

and, at all times during that period of 2 years, he must have been such a Shareholding Member or such a Borrowing Member and

- (c) he must not be a minor at that date.
- (4) An Individual duly nominated for election as a Director shall deposit £250 with the Society not later than one week after the end of the Financial Year referred to in paragraph (1)(d) above, and an Individual so nominated who fails to lodge the required deposit money with the Society within the time required by this paragraph shall not be eligible for election.
- (5) An Individual duly nominated for election as a Director may furnish the Society with an election address or revised election address and the Society shall be under a duty to send a copy of the address or revised election address to each Member entitled to vote in the election if -
  - (a) the address does not exceed 500 words;
  - (b) the Society is furnished with the address before the end of the Financial Year (referred to in Rule 16(1)(d) above);
  - (c) publicity for the address is not likely to diminish substantially the confidence of investing members of the public in the Society;
  - (d) the right conferred by this paragraph on the Individual seeking election is not being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes, and
  - (e) the address relates directly to the affairs of the Society

and the Commission shall hear and determine any dispute arising from sub-paragraph (c) above

- (6) Any Individual nominated for election as a Director may withdraw his name up to and including the date of the election, and in the event of a withdrawal the Board shall decide within one month after the date on which the Society received notice of his withdrawal whether all or any part of any deposit lodged by that Individual under paragraph (4) above shall be forfeited or returned to him.
- (7) Within 14 days after the date of the election the Society shall return to an Individual who -
  - (a) has been nominated for election as a Director, but
  - (b) has not been electedthe deposit money lodged by him under paragraph (4) above if, but only if, he secured not less than -
  - (i) 5% of the total number of votes cast for all the candidates in the election, or
  - (ii) 20% of the number of votes cast for the candidate who has been elected with the smallest number of votes,

whichever is the smaller, and the Society shall also return within a period of 14 days after the date of the election to a Member who has been nominated for election as a Director, and who has been elected as such, the deposit money so lodged by him.

- (8) If a vacancy arises on the Board after the last day of the Financial Year and before the conclusion of the Annual General Meeting held in the succeeding Financial Year by reason of the death or disqualification

of any retiring Director who was seeking re-election the Board may without giving notice under Rule 35 nominate at the Annual General Meeting some other Member who is at the date of that meeting -

- (i) less than 70 years of age, and
- (ii) not a minor, and
- (iii) qualified under Rule 17

to take the place of such retiring Director as a candidate for election and such Member shall be deemed to be a retiring Director or may reduce the number of vacancies to be filled at the Annual General Meeting by one in respect of each such event and any remaining vacancy on the Board shall be and become a vacancy which the Directors have power to fill under Rule 28.

- (9) Elections of Directors shall be conducted either at the Annual General Meeting of the Society or, if the Board so determines, by postal ballot of the Members conducted during that part of the Financial Year which precedes the date of the Annual General Meeting. If an election is conducted by postal ballot the following provisions of this Rule shall apply mutatis mutandis. If at such a meeting there is a contest for the office of Director in that the number of candidates for election or re-election to the Board (including Directors retiring under this Rule and Rule 28(4)) exceeds the number of vacancies thereon, the vacancies shall be filled by those candidates obtaining the most votes. The vote shall be taken on a poll, which shall be deemed to have been demanded by the Chairman. The following provisions of the Rules shall apply to such poll -
- (i) the voting papers shall include the number of vacancies on the Board, the full names of all the candidates and any declarations required by the Statutes;
  - (ii) subject to paragraph (i) above, the Board may prescribe or approve the form of the voting paper and may include such other declarations and denoting of retiring Directors as it thinks fit;
  - (iii) the voting shall be effected by the placing of an X after the names of the candidates for whom the votes are to be cast;
  - (iv) the voting paper shall be void if a Member votes for more candidates than there are vacancies to be filled.
- (10) If on the election of Directors there are more candidates than vacancies to be filled by the election, each Member entitled to vote in the election -
- (a) shall have one vote in respect of every vacancy to be filled, but
  - (b) cannot be required to cast all or any of his votes (conferred on him under sub-paragraph 10(a)).
- (11) If on the election of Directors there are not more candidates than vacancies to be filled by the election -
- (a) each Member entitled to vote in the election shall have one vote in respect of every candidate, but cannot be required to cast all or any of his votes,
  - (b) each vote shall be capable of being cast either for or against the candidate concerned, and
  - (c) a candidate shall be elected if, and only if, more votes are cast for him than against him.

## **17. QUALIFICATION OF DIRECTORS**

- (1) The qualification of a Director shall be that he holds in his own right a Shareholding to the value of not less than £1,000.
- (2) An Individual -
- (a) who has been nominated for election as a Director, or
  - (b) whom the Board proposes to nominate as a candidate for election as a Director under Rule 16(8) or to appoint under Rule 28, or
  - (c) who is a Director,

shall produce to the Board on request his birth certificate (or such other evidence as the Board may consider acceptable) as evidence of his date of birth and if he fails to do so within 7 days (or such further time as the Board may allow) after the request, he shall be ineligible for election or if he is already a Director shall forthwith cease to hold office as a Director.

## **18. APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN**

- (1) At its first meeting after every Annual General Meeting the Board shall elect from its number a Chairman and a Vice-Chairman who shall, subject to paragraph (3) below, hold office until the commencement of the first meeting of the Board held after the next Annual General Meeting unless either shall cease in

the meantime to be a Director or shall resign the office. The Chairman shall preside at all meetings of the Board at which he is present and in the absence of the Chairman the Vice-Chairman shall take his place.

- (2) If the Chairman and the Vice-Chairman so elected shall both be absent from a meeting of the Board or shall both decline to act as Chairman, the Directors present at that meeting shall elect a Director to be Chairman for the purposes of that meeting.
- (3) The Board may at any time remove the Chairman or the Vice-Chairman from office.
- (4) The Board shall fill from its number any casual vacancy (whether or not arising from the exercise of its power under paragraph (3) above) in the office of Chairman or Vice-Chairman and a Chairman or Vice-Chairman so elected shall, subject to paragraph (3) above, hold office until the commencement of the first meeting of the Board held after the next Annual General Meeting unless he shall cease in the meantime to be a Director or shall resign the office.

## **19. MEETINGS OF DIRECTORS**

- (1) The Board shall meet for the despatch of business as often as it shall find necessary and 4 Directors present at any Board meeting shall, subject only to the provisions of Rule 28(6), form a quorum.
- (2) Questions arising at a meeting shall be resolved by a majority of votes and, in the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
- (3) The Secretary shall convene a special meeting of the Board upon the direction in writing of the Chairman or of any two other Directors or of the Chief Executive and, if he fails so to do, the Chairman or such two Directors or the Chief Executive as the case may be, may convene the meeting
- (4) Subject to the provisions of Rule 27(2), two clear days' notice in writing of any special meeting of the Board shall be given to each Director and to the Chief Executive and, where appropriate, to the Secretary. It shall not be necessary to give notice to a Director or the Chief Executive at an address outside the United Kingdom.
- (5) A notice given under paragraph (4) above shall state the business to be transacted at the special meeting.
- (6) Subject to paragraphs (1) to (5) above and the approval of the Chairman of the meeting, all or any members of the Board, or any committee of the Board, or any local board, may participate in a meeting of the Board, or that committee, or local board, by means of a conference telephone or any other communications equipment which allows all Individuals participating in the meeting to hear and speak to each other. An Individual so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group is assembled or, if there is no such group, where the Chairman of the meeting is present.

## **20. MINUTES**

The Board shall cause minutes to be made of all proceedings at all meetings of the Society, of the Board, of any committee and of any local board. Any minutes of any meeting if purporting to be signed by the chairman of that meeting or by the chairman of the next succeeding meeting shall be conclusive evidence without any further proof of the facts stated in the minutes.

## **21. VALIDITY OF ACTS**

- (1) All acts done by the Board, or any committee, or any local board or any Individual acting as a Director, shall be valid even though it might afterwards be discovered that there was some defect in the constitution of the Board, or committee, or local board, or in the election, or re-election, or appointment, of any member of the Board, or committee, or local board, or Individual acting as such Director. Likewise, such acts shall not be invalidated by reason of the fact that any Individual acting in such capacity was disqualified from holding office, or was not entitled to vote.
- (2) A resolution in writing signed by all the members of the Board or of a committee of Directors or any local board shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of Directors or any local board duly convened, constituted and held and may consist of several documents in a like form each signed by one or more Directors or (as the case may be) members of the local board.

## **22. REMUNERATION AND EXPENSES OF DIRECTORS**

- (1) The annual remuneration of the Directors as members of the Board (exclusive of any remuneration paid in respect of executive duties) shall be paid at a rate to be determined by the Board from time to time

but not exceeding two pence per one hundred pounds of total assets of the Society as at the last day of the Financial Year before which payment is made. This remuneration shall be divisible among the Directors in such proportion as may be agreed among them by a majority decision and, in default of agreement, in equal shares.

- (2) In addition to remuneration determined in accordance with paragraph (1) above, any Director may be paid all or any reasonable travelling, hotel and other expenses as he might incur while attending Society business with the approval of the Board. He may also, by resolution of the Board, be paid for professional or other work, done by him on behalf of the Society in addition to his usual services as a Director.

### **23. OFFICES OF PROFIT**

- (1) A Director may hold any office or place of profit or employment with the Society (other than the office of auditor) simultaneously with his office of Director and may be appointed by the Board to an office or place of profit or employment with any body corporate in which the Society is, or will be, interested. A Director holding any such employment may receive such remuneration (whether by way of salary, wages, commissions and bonuses, compensation for loss of office or of employment, fees and other remuneration) and may receive such other benefits, as the Board may consider desirable.
- (2) A Director so appointed to an office or place of profit with a body corporate in accordance with paragraph (1) above shall disclose to the Board any benefit he derives from any such office or place in the Financial Year in which it is received.
- (3) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any office or place of profit or employment with the Society or with any body corporate in which the Society is, or will be interested or at which the terms of any such appointment are arranged or varied and he may vote on any such appointment, arrangement or variation other than his own appointment or the arrangement of the terms of the appointment or variation thereof.

### **24. INTEREST IN CONTRACTS**

- (1) Subject to a Director complying with the provisions for the time being of the Statutes that -
  - (a) require him to declare to the Board any direct or indirect interest he might have, or be treated as having in any contract to which the Society is a party,
  - (b) prohibit particular contracts,
  - (c) require a contract to be approved by a resolution of a general meeting, or
  - (d) require him to furnish to the Society particulars of any related business,he may enter into or be interested, whether directly or indirectly, in contracts with the Society and shall not be disqualified from office thereby, nor shall he be liable to account to the Society for any profit arising out of any such contract to which he is a party or in which he is interested by reason of his being at the same time a Director.
- (2) No Director may vote as a Director in regard to any contract, or proposal, in which he is interested, whether directly or indirectly, or upon any matter arising out of it. If he shall so vote, his vote shall not be counted nor shall he be reckoned in estimating a quorum when any such contract, or proposal, is under consideration.
- (3) Notwithstanding anything contained in this Rule, the prohibition contained in paragraph (2) above may at any time or times be suspended or relaxed to any extent by resolution at a general meeting of the Society.
- (4) In this Rule the term "contract" includes any transaction or arrangement. For the avoidance of doubt, the word "interest" in this Rule does not include any interest a Director may have as a director of a subsidiary company or other associated body of the Society.

### **25. APPOINTMENT OF OFFICERS, EMPLOYEES AND OTHERS**

- (1) The Board shall appoint and may subject to the provisions of any contract or other instrument terminate the appointment of the Chief Executive and the Secretary.
- (2) The Board may also -
  - (a) appoint and, subject to the provisions of any contract or other instrument, terminate the appointment of a Manager and such employees, advisers, bankers and agents as the Board may at any time determine;

- (b) appoint under this Rule more than one Individual to any office or place with the exception of the offices of Chief Executive and Secretary;

and may require from any Individual appointed under this Rule such guarantees as in its judgement shall appear necessary.

- (3) The powers and duties of an Individual appointed under this Rule shall be those given them from time to time by the Board which may pay them such salaries, wages, commissions and bonuses (whether or not section 67 of the Building Societies Act 1986 would otherwise apply to such commissions or bonuses but not so as to contravene sub-section (5) of that section), compensation for loss of office or of employment, fees and other remuneration and may provide them with such other benefits, as it may consider desirable.

## **26. INDEMNITY TO DIRECTORS, OFFICERS AND EMPLOYEES**

- (1) Every Director, every other Officer and every employee of the Society shall be indemnified by the Society against any liability in respect of losses, costs, charges, damages and expenses which might arise from, or in the course of, his duties, but not against any such liability as, by virtue of any rule of law or of the Statutes, would attach to him in respect of any negligence, default, breach of duty or breach of trust of which he might be guilty in relation to the Society. He shall however, be indemnified against any liability incurred by him in defending any proceedings whatsoever, whether civil or criminal arising out of his duties in relation to the Society in which judgement is given in his favour or in which he is acquitted.
- (2) The Society may purchase and maintain a policy of insurance to cover any such indemnity or liability as is mentioned in paragraph (1) above.

## **27. VACATION OF OFFICE AND DISQUALIFICATION**

- (1) Without prejudice to Rule 17(2), a Director shall cease to hold office -
- (a) if he resigns his office by notice in writing to the Secretary;
  - (b) if he ceases to hold in his own right a Shareholding of £1,000 as prescribed by Rule 17
  - (c) if he takes up a permanent residence outside the United Kingdom;
  - (d) if he is requested in writing by all his co-Directors to resign and a resolution that he has vacated office is thereafter passed at a meeting of the Board by a majority of the members of the full Board;
  - (e) if for more than six consecutive months he absents himself without permission of the Board from meetings of the Board held during that period and the Board passes a resolution that he has vacated office;
  - (f) if he becomes bankrupt or is sequestrated or compounds or makes any arrangement with his creditors generally;
  - (g) if he is, or might be, suffering from mental disorder and either -
    - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the provisions of the Mental Health Act 1983 or he is admitted to hospital under the provisions of the Mental Health (Scotland) Act 1984 or the provisions of the Mental Health (Northern Ireland) Order 1986, or
    - (ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;
  - (h) upon a resolution of which notice has been given under Rule 35(9) that he shall cease to be a Director passed by a majority of the votes cast on a poll at a general meeting;
  - (i) if, whilst a Director of the Society and without the prior consent of his co-Directors, he accepts the office of a director in any other building society or institution authorised under the Banking Act 1987 or any statutory modification or re-enactment thereof, or any other organisation, company or body deemed by the Board to be in direct competition with the business of the Society;
  - (j) upon the conclusion of the Annual General Meeting next following the date at which he attains 70 years of age;
  - (k) if he becomes prohibited by law from being a Director;
  - (l) if he contravenes Rule 24(1) by knowingly or recklessly failing to declare an interest and the Board passes a resolution that he has vacated office.
- (2) The Secretary shall give not less than 14 clear days' notice in writing to all Directors of a meeting of the

Board at which it is intended to move a resolution that a Director has vacated office. The notice shall set out the proposed resolution and, if all the requirements of this paragraph are not complied with, the resolution, even if passed, shall be of no effect. The provisions of Rule 50(2) shall be deemed to apply to any such notice.

## **28. FILLING OF CASUAL VACANCIES**

- (1) In the case of any vacancy not occasioned by the retirement of any Director by rotation the Board may at any time, and from time to time, appoint an Individual as a Director to fill such vacancy.
- (2) If the Board resolves to increase the number of Directors within the limitations prescribed by Rule 15(1), the Board may appoint an Individual as an additional Director in order to fill any vacancy.
- (3) The Board shall appoint under this Rule only an Individual who -
  - (a) appears to it to be fit and proper to be a Director, and
  - (b) is qualified under Rule 16 (as far as that Rule is applicable), and
  - (c) is not an Individual who, having been nominated for election as a Director at any election held within the preceding 12 months was not elected as a Director.
- (4) A Director appointed under this Rule shall hold office until the conclusion of the Annual General Meeting next following such appointment.
- (5) A Director appointed under this Rule and retiring under paragraph (4) above shall be eligible for election without nomination, provided that he is qualified under Rule 17(1) at the date of the Annual General Meeting at which he retires and is not ineligible by reason of his age on that date, and he shall be a retiring Director for the purposes of Rule 16(10),
- (6) Notwithstanding any vacancies on the Board, the remaining Directors may continue to act. If at any time the number of Directors falls below the minimum of 6 prescribed by Rule 15, the Board so constituted, although its members are insufficient to form a quorum may act by a majority of its members for a maximum period of 4 months but the Chairman shall, notwithstanding Rule 19(2), not have a second or casting vote.

## **29. RETIREMENT BY ROTATION**

- (1) In addition to any Director retiring under Rule 27(1)(j) or 28(4),
  - (i) all those of the other Directors who have not been elected or re-elected at either of the last two Annual General Meetings shall retire from office at the Annual General Meeting in each year; and
  - (ii) any Director (other than a director retiring by rotation under paragraph (i) above) may volunteer to retire by rotation at the Annual General Meeting held in each year.
- (2) A Director retiring under this Rule shall be eligible for re-election without nomination provided he is qualified under Rule 17(1) at the date of the Annual General Meeting at which he retires and is not ineligible by reason of his age on that date and he shall retain office until the conclusion of that meeting.

## **30. RESERVES**

- (1) The Board may set aside to reserve sums whether for particular purposes or otherwise. Subject to the Statutes, the revenue and reserve funds may be drawn upon for such purposes of the Society as the Board may think fit and in particular for the payment of interest and bonuses, or either of them, on Shares at such rates and in such manner as the Board may from time to time determine.
- (2) Without prejudice to the generality of paragraph (1), such funds may in particular be used for the payment of interest, dividends, bonuses, or distributions or the provision of benefits in respect of Shares at such rates or in such manner as the Board may from time to time determine or may be applied in paying up in full unissued Shares, debentures or other obligations of the Society to be allotted and distributed, credited as fully paid, among the holders of deferred Shares (if any) to the extent permitted by the Statutes and required by the terms and conditions of the issue of such Shares.

## **31. LOSSES**

- (1) Any losses incurred by the Society in any Financial Year may be charged, as the Board shall think fit, to the extent necessary against any or all of the revenue and reserve funds established pursuant to Rule 30 (to the extent that such funds are available) or against any fund representing the amount paid up (including any premium in respect thereof) by the holders of any deferred Shares (to the extent (if any) permitted by the terms and conditions of issue thereof), provided that -
  - (a) nothing in this Rule shall prevent the writing back in any subsequent Financial Year of any or all of the amounts charged pursuant to this Rule, and

- (b) nothing in the Rules of the Society shall be construed as permitting Shares other than deferred Shares to be written down.
- (2) In determining at any time whether or not the Society is able to pay its debts as they fall due and whether the assets of the Society exceed its liabilities, the amounts paid up in respect of deferred Shares may be disregarded if or to the extent permitted by, and in the manner provided in, the terms and conditions of issue of such Shares.
- (3) If at any time the Board determines that the accounting records of the Society disclose that the liabilities of the Society exceed its assets, the Board shall take steps as it may deem necessary in the interests of Members and in particular (but without prejudice to the generality of the foregoing) it may put to the Members proposals to deal with the situation by -
  - (a) the transfer of all the Society's engagements to an existing building society or company (with or without the writing down of deferred Shares (if any)), or
  - (b) the winding up of the Society.
- (4) No Member who has received a Loan or Loans from the Society and who does not hold a Share shall be liable for any loss incurred by the Society other than a loss incurred in connection with such Loan or Loans, but if a Member who has received such a Loan or Loans also holds Shares, he shall be liable in respect of that Shareholding.

### **32. PENSION AND OTHER SCHEMES AND FUNDS**

- (1) Subject to paragraph (4) below, the Board may from the Society's resources and on such terms as it thinks fit provide, establish, maintain and administer pension, life assurance, sickness, annuity and other funds or schemes (whether contributory or not) for the benefit of -
  - (a) past, present or future Officers and employees of the Society;
  - (b) past and present officers and employees of any society with which the Society might merge in the future;
  - (c) the spouses, children and dependants of persons referred to in sub-paragraphs (a) or (b) above.
- (2) In addition to the powers of the Board set out in paragraph (1) the Board may, subject to paragraph (4) below, grant on such terms as it thinks fit other pensions, allowances, gratuities, donations and bonuses to or for the benefit of -
  - (a) past or present Officers and employees of the Society;
  - (b) past officers and employees of a society with which the Society has merged;
  - (c) any spouses, children or dependants of such officers and employees mentioned in (a) or (b) above.
- (3) The Board may make, vary and revoke the rules of any such fund or scheme as is mentioned in paragraph (1) (to such extent as this power is not thereby prohibited, or is found permissible) and may constitute any trust and may from time to time at its discretion exercise any powers reserved to the Society by the terms of any trust constituted by the Society including the power of modifying or discontinuing the terms of any such trust or any rules or regulations that may be or may have been made pursuant to it.
- (4) A pension may be provided in respect of an Individual by reason of his office as a non-executive Director, if his total non-executive service with the Society and any other society with which it has merged is not less than 6 years, and he retires from service as a Director having attained the age of 60 years or retires on the grounds of ill-health or dies in such service, or retires from service as a Director prior to having attained the age of 60 (in which case no pension will be payable before he has attained the age of 60). This provision shall not prejudice any pension arrangements for a non-executive Director who has previously served as an executive Director, in respect of such period of executive service. The amount of the pension and the terms and conditions on which it is paid shall be determined by the Board on terms no more advantageous than those of the Society's staff pension and life assurance schemes, except that the Director may be credited with no more than 3 added years attributable to late entry. The amount so payable shall not in any event exceed in any year two-thirds of the fees payable in that year to a serving non-executive Director of equivalent status.

### **33. ANNUAL GENERAL MEETING**

- (1) The Society shall hold an Annual General Meeting in each Financial Year, at such hour, date and place as the Board shall determine.
- (2) The Board shall lay before the Members at the Annual General Meeting the Annual Accounts of the

Society for the last Financial Year before the date of that meeting, and shall also submit to them a report by the Board (called in these Rules “the Directors’ Report”) on the business of the Society, which Directors’ Report shall include the information required by or under the Statutes.

- (3) In these Rules “Annual Accounts” means the classes of document (including the notes to them) the Society is required (unless otherwise exempted) by or under the Statutes to prepare by way of accounts for itself individually and, if it has subsidiaries, by way of group accounts for itself and those subsidiaries.
- (4) The report of the auditors on -
  - (a) the Annual Accounts laid before the Annual General Meeting, and
  - (b) to the extent required by the Statutes, the annual business statement of the Society and the Directors’ Reportshall be open to inspection by any Member at that Meeting.
- (5) No business shall be transacted at an Annual General Meeting, and no resolution shall be brought forward at any such meeting, except as might arise upon -
  - (a) the Annual Accounts laid before the Annual General Meeting;
  - (b) the annual business statement for the last Financial Year before the date of the meeting;
  - (c) the Directors’ Report submitted to the meeting;
  - (d) the report of the auditors on the documents listed in (a) to (c) above;
  - (e) the election and re-election of Directors;
  - (f) the appointment or re-appointment of auditors,
  - (g) a motion for a resolution (whether a Special Resolution or an Ordinary Resolution), notice of intention to move which at the meeting has been duly given to the Society by 500 Qualified Members (as defined in Rule35(9)) not later than the last day of the Financial Year preceding that in which the meeting is held,
  - (h) business (including a motion for a resolution, whether a Special Resolution or an Ordinary Resolution, or a motion for a Borrowing Members’ Resolution) brought before the meeting by the Board; and
  - (i) notification of any merger or transfer proposal required by the Statutes.

#### **34. SPECIAL MEETINGS**

- (1) All general meetings other than Annual General Meetings shall be called special general meetings.
- (2) The Board may, whenever it thinks fit, convene a special general meeting.
- (3)
  - (a) Subject to paragraphs (4) and (5) below the Board shall convene a special general meeting on the requisition of not less than 500 Members qualified under paragraph (6) below. The requisition shall state the objects of the meeting and the full text of any resolution which the requisitioners wish to move at the meeting (which must not however include the election of a Director or a resolution which, if passed, would purport to interfere with the Directors’ right and duty to manage the affairs of the Society) and shall be signed by the requisitioners and deposited at the Principal Office and may consist of several documents in like form each signed by one or more requisitioners provided that each document is deposited within 3 months of the date on which the first document was deposited. A deposit of £25 in respect of each requisitioner signing the requisition shall be lodged with it at the Principal Office. If within half an hour after the time appointed for the meeting a quorum is not present, all such deposits shall be forfeited but if a quorum is present the Members present and entitled to vote at the meeting shall decide whether the deposits shall be appropriated either wholly or in part towards the expenses of convening and holding the meeting and to any extent to which the deposits are not so appropriated they shall be returned by the Society to the requisitioners equally.
  - (b) If required by the requisition, the Board shall, subject to paragraph (5) below, send to each Member entitled to receive notice of the Meeting a copy of a statement of not more than 500 words with respect to the matters to be dealt with at the meeting.
- (4) The Board shall be under no duty to convene such a special general meeting if -
  - (a) the only or main object of the meeting as stated in the requisition is to move a resolution in substantially the same terms as any resolution which has been defeated at a meeting or on a postal ballot during the period beginning with the third Annual General Meeting before the date on

which the requisition is deposited at the Principal Office, or

(b) the date of the meeting called in accordance with paragraph (6) below would fall during the period of four months beginning one month after the end of the Financial Year.

(5) The Board shall be under no duty to send copies of a statement to Members entitled to receive notice of the meeting in any case where -

(a) the statement does not relate directly to the affairs of the Society, or

(b) publicity for the statement would be likely to diminish substantially the confidence in the Society of investing members of the public, or

(c) the rights conferred by paragraph (3)(a) above are being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes,

and the Commission shall hear and determine any dispute arising from this paragraph (5) of Rule 34.

(6) A Member shall be qualified under this paragraph for the purposes of paragraph (3) above if he -

(a) has or had a Shareholding to the value of not less than £100 or owes or owed to the Society a Mortgage Debt of not less than £100 on the qualifying date, and

(b) has held such a Shareholding for a continuous period of not less than 2 years ending on the qualifying date, or

(c) has held such a Mortgage Debt for a continuous period of not less than 2 years ending on the qualifying date, and

(d) is not a minor,

and in (a) (b) and (c) above the “qualifying date” is either the date of deposit of the sole requisition or the date of deposit of the last requisition sufficient to comply with the requirements of paragraph (3).

In addition, to be qualified under this paragraph for the purposes of paragraph (3) above, a Member must -

(i) state his full name and address, and

(ii) identify a Share account or Mortgage account or both or his holding of PIBS with the Society which will evidence the fact that he fulfils the conditions set out in paragraphs (a) and (b) above.

If the Board wishes to object to the requisition as a result of any of the requirements of this paragraph or paragraph (3) above not being met, it must do so within 14 days of the requisition or document being deposited at the Principal Office.

(7) If the Board does not within 28 days after the date of deposit of the sole requisition or the date of deposit of the last requisition sufficient to comply with the requirements of paragraph (3) above proceed to despatch notices convening a meeting to be held within 63 days after that date, the requisitioners or any proportion of them exceeding one-half may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of five months from the date of the deposit of the sole or last requisition. The meeting so convened by the requisitioners shall be convened in the same manner, as nearly as possible, as that in which meetings are convened by the Board and notices thereof shall be sent by post to the Persons entitled thereto under the Statutes and under Rule 35. Any reasonable expenses incurred by the requisitioners by reason of the failure of the Board duly to convene a meeting shall be paid to those requisitioners by the Society. Any sum so paid shall be recovered by the Society from the defaulting Directors (whether by way of retention of fees or other remuneration in respect of services, or otherwise).

If the Board is required under paragraph (3)(b) above to send a statement to Members entitled to receive notice of the meeting and does not comply with the requirement within 28 days from the date of the deposit of the sole requisition or the date of the deposit of the last requisition, not less than one half of the requisitioners themselves may send a copy of the statement to each Member entitled to receive notice of the meeting.

Any days falling within the period mentioned in paragraph (4)(b) above shall be disregarded in determining any period for the purposes of this paragraph.

The Board or, as the case may be, the requisitioners, shall give the Members notice of any resolution the requisitioners propose to move at the meeting at the same time and in the same manner as notice is given of the meeting.

(8) No business shall be entertained at any special general meeting except such as shall be stated in the notice convening the meeting or, (where applicable), to decide by Ordinary Resolution whether the deposits mentioned in paragraph (3)(a) above shall be appropriated either wholly or in part towards the

expenses of convening and holding the meeting.

- (9) Except where the requisitioners themselves convene a special general meeting under paragraph (7) of this Rule, special general meetings shall be held at such hour, date and place as the Board shall determine.

### **35. NOTICE OF MEETINGS**

- (1) Notice of every general meeting (whether an Annual General Meeting or a special general meeting), other than an adjourned meeting, specifying the day, hour and place of the meeting and stating the nature of any resolution to be moved at the meeting and of the other business to be transacted at the meeting, shall be given to Members entitled to notice of the relevant meeting in accordance with the Statutes and the Rules.

The notice shall state that -

- (a) a Member entitled to attend and vote may appoint one proxy to attend and, on a poll, vote at the meeting instead of him, and
  - (b) the proxy need not be a Member of the Society, and
  - (c) the Member may direct the proxy how to vote at the meeting.
- (2) The Annual General Meeting shall be described as such in the notice of meeting.
- (3) Notice of meeting shall be given to every Member who would be eligible to vote at the meeting under the provisions of Rule 38 if the meeting were held on the date of the notice. Notice shall also be given to every Person who -

- (a) becomes a Shareholding Member or Borrowing Member of the Society after the date of the notice and before the specified date, or
- (b) being such a Member at the date of the notice, attains the age of 18 after that date and on or before the date of the meeting,

and who would (in either case) be eligible to vote at the meeting if he remained such a Member until the date of the meeting. The "specified date" means the date specified by the Society as the final date for the receipt of proxies under Rule 39(3).

- (4) Subject to Rule 50(3), a notice of meeting shall, unless otherwise specified, be given in accordance with Rule 50(2). In paragraphs (5) to (9) below, the term "notice" includes any Members' Notice given or statement duly lodged and required to be sent by Rule 35(10) and any election address, or revised election address, required to be sent by Rule 16(5).
- (5) A notice of meeting shall be given by the Society to -
- (a) joint Shareholding Members, or
  - (b) joint Borrowing Members,
- either by giving it personally or by sending it by post or otherwise delivering it to the Registered Address of the Representative Joint Shareholder or the Representative Joint Borrower respectively.
- (6) A notice of meeting shall be given by the Society to the Persons who, in consequence of the death or bankruptcy of a Member, are entitled -

- (a) to a Share, or
- (b) to land already in mortgage to the Society

either by giving it personally or by sending it by post or by otherwise delivering it, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, to the address, if any, supplied for the purpose by the Persons claiming to be so entitled, or (until such an address has been so supplied) by sending the notice through the post to the Registered Address of the deceased or bankrupt member.

- (7) A notice of meeting shall be given to the holder of a power of attorney which has been duly registered in the records at the Principal Office by giving it personally or by sending it by post or otherwise delivering it to the Registered Address of the holder of the power of attorney, and this shall relieve the Society of the obligation to give notice to the Member who gave the power.
- (8) If a Member is suffering from mental disorder a notice of meeting shall be given by the Society to his receiver, curator bonis or other Person in that behalf appointed by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder. Such a notice shall be given to such Person personally or by sending it by post or otherwise delivering it to the address supplied for the purpose by the aforesaid receiver, curator bonis or other Person or, until such an address has

been so supplied, by sending the notice by post to the Registered Address of the Member.

- (9) For the purposes of the following paragraphs of this Rule the following expressions shall have the following meanings -
- (a) “Qualified Member” means a Member who has been a Member for not less than 2 years before the qualifying date, was not a minor on the qualifying date, and either-
    - (i) holds or held Shares to the value of not less than £100 on the qualifying date, and at all times during that period of 2 years was such a Shareholding Member, or
    - (ii) owes or owed a Mortgage Debt to the Society of an amount not less than £100 on the qualifying date and at all times during that period of 2 years was such a Borrowing Member,and in (i) and (ii) above the “qualifying date” is the date on which the notice of intention to have the resolution moved is given to the Society.
  - (b) “Requisite Number” means 500, and
  - (c) “Members’ Notice” means a notice given to the Society in writing (whether in one or more documents) by at least the Requisite Number of Qualified Members, of their intention to have moved on their behalf at an Annual General Meeting a resolution that is specified in the notice and is either a Special Resolution or an Ordinary Resolution, but is not a Borrowing Members’ Resolution or a Shareholding Members’ Resolution.
- (10) If the Society receives a Members’ Notice (subject to paragraphs (11) and (12) below) the Board shall
- (a) include in the notice of the Annual General Meeting a notice specifying the intention of those Members moving it to have the resolution moved on their behalf at that meeting and, if applicable, the intention to move it as a Special Resolution, and
  - (b) at the request of the Qualified Members intending to have the resolution moved on their behalf, include in the notice of that meeting to each Member entitled to receive notice of that meeting a copy of any statement of not more than 500 words with respect to the matter referred to in the resolution.
- (11) The Board shall be under no duty -
- (a) to include a Members’ Notice in the notice of the Annual General Meeting, or
  - (b) to send to Members such a statement as is mentioned in paragraph (10)(b) above, if -
    - (i) the Members’ Notice (or the last of the documents sufficient to enable it to comply with the requirements of paragraph (9)(c) above) and, if submitted, any statement given (of the kind mentioned in paragraph (10)(b) above) are given to or lodged with the Society later than the last day of the Financial Year preceding that in which the Annual General Meeting at which it is intended to move the resolution is held, or
    - (ii) the resolution specified in the Members’ Notice and, if lodged, any such statement does not relate directly to the affairs of the Society, or
    - (iii) publicity for the resolution specified in the Members’ Notice or, as the case may be, the statement would be likely to diminish substantially the confidence of investing members of the public in the Society, or
    - (iv) the rights conferred by paragraph (10) above are being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes, or
    - (v) the resolution specified in the Members’ Notice is in substantially the same terms as any resolution that has been defeated at a meeting or on a postal ballot during the period beginning with the third Annual General Meeting before the date on which the Members’ Notice (or the last of the documents sufficient to enable it to comply with the requirements of paragraph (9)(c) above) is given to the Society,
- and the Commission shall hear and determine any dispute arising from sub-paragraph (iii) above.
- (12) If it is not practicable for any reason to include in the notice of the Annual General Meeting a notice duly given by Members in accordance with paragraph (9)(c) above, the notice so given together with any statement duly lodged in accordance with that paragraph shall be sent with the notice of that meeting. If, however, that is not practicable, the notice so given and any statement so lodged shall be sent as soon as practicable after the despatch of the notice of that meeting.
- (13) Subject to the Statutes and the Rules, a notice of a meeting shall be given by the Society by sending it by post to the Registered Address of the Member and in this paragraph and in paragraph (14) below the term “notice” includes any such notice given or statement lodged by Members as is required to be sent by paragraph (2)(c) above and any such election address as is required to be sent by Rule 16(5).

- (14) (a) The accidental omission to send notice of a meeting or to send any document required by the Statutes or the Rules to be sent with the notice or otherwise before the meeting to, or the non-receipt of notice of a meeting or any such document as aforesaid by, any Person entitled to receive notice shall not invalidate the proceedings at that meeting.
- (b) The sending of a notice of a meeting to any Person not entitled to be given notice thereof shall not entitle him to attend or vote at that meeting nor invalidate the proceedings at that meeting.

### **36. QUORUM AT MEETINGS**

- (1) No business shall be considered at any Annual General Meeting or special general meeting unless a quorum is present at the time when the meeting proceeds to business and a quorum shall be constituted for all purposes as follows -
- (a) if a motion for a resolution (other than a Borrowing Members' Resolution) is included in the business at such a meeting or if the meeting is a special general meeting (other than one requisitioned under Rule 34(3)), by 20 Members present and entitled to vote a show of hands under Rule 38(4);
- (b) if a Borrowing Members' Resolution is included in the business at an Annual General Meeting or special general meeting, by 20 Members who are present and entitled to vote -
- (i) in the case of a Shareholding Member, under Rule 38(3) on a show of hands, or
- (ii) in the case of a Borrowing Member who has received a Loan or advance, under Rule 38(4) on a poll;
- (c) if resolutions referred to in both sub-paragraphs (a) and (b) above are to be considered, by Members qualifying accordingly;
- (d) if the meeting is a special general meeting requisitioned under Rule 34(3), by 100 Members present and entitled to vote under Rule 38(4) on a show of hands.
- (2) If no quorum shall be present within half an hour (or such longer time not exceeding one hour as the Chairman of the meeting may decide to wait) after the time appointed for the Annual General Meeting or special general meeting, the Chairman of the meeting shall adjourn it to such hour, date and place as he shall direct, unless it is a special general meeting requisitioned under Rule 34(3) whereupon the Chairman of the meeting shall dissolve it.
- (3) The Members present at an adjourned meeting and entitled under paragraph (1) above to be included in the quorum for the meeting shall constitute a sufficient quorum.

### **37. PROCEDURE AT MEETINGS**

- (1) The Chairman of the Board or, in his absence, the Vice-Chairman of the Board, will preside at every meeting of the Society. If there is no such Chairman or Vice-Chairman or if neither the Chairman nor the Vice-Chairman is present within fifteen minutes after the time appointed for the meeting or if both the Chairman and the Vice-Chairman are unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting. If at any meeting no Director is willing to act as Chairman, or if no Director is present within fifteen minutes after the time appointed for the meeting, the Members present and entitled under Rule 36(1) above to be included in the quorum for the meeting shall choose one of their number who is present to be the Chairman of the meeting.
- (2) The Chairman of the meeting may, notwithstanding the presence of a quorum (and shall, if so directed by a resolution of the meeting), adjourn the meeting from time to time and from place to place, but except as provided in paragraph (13) of this Rule no business shall be transacted at any adjourned meeting other than the business left unfinished or not reached at the meeting from which the adjournment took place.
- (3) Every adjourned meeting shall be deemed a continuation of the original meeting and any resolution passed at an adjourned meeting shall for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.
- (4) When a meeting is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting or, if the Chairman of the meeting so determines, by advertising in accordance with Rule 48 at least 14 days before such adjourned meeting, but otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
- (5) Adjournments

The Chairman may at any time without the consent of the meeting adjourn any meeting (whether or not

it has commenced or a quorum is present) either sine die or to another time or place where it appears to him that (a) the Members wishing to attend cannot be conveniently accommodated in the place appointed for the meeting (b) the conduct of Individuals present prevents or is likely to prevent the orderly continuation of business or (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

(6) Postponement of General Meetings

If the Board, in its absolute discretion, considers that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone the general meeting to another date, time and place. When a meeting is so postponed, notice of the date, time and place of the postponed meeting shall be placed in at least two national newspapers in the United Kingdom. Notice of the business to be transacted at such postponed meeting shall not be required.

(7) The Members present at an adjourned meeting and entitled under Rule 36(1) above to be included in the quorum for the meeting shall be a sufficient quorum.

(8) Subject to the Statutes and these Rules every question submitted to an Annual General Meeting or special general meeting shall be decided by a simple majority and such votes shall be taken in the first instance by a show of hands.

(9) A poll may (before or on the declaration of the result of the show of hands) be demanded by -

(a) the Chairman of the meeting, or

(b) 10 Members who are entitled to vote at the meeting and are present in person, by proxy, by representative under Rule 38(6) or by a Person specified in Rule 38(5),

and in the event of such a demand, a poll should be taken in accordance with paragraph (13) of this Rule, but no poll shall be permitted upon a resolution to appoint a Chairman.

(10) Unless a poll be so demanded, a declaration by the Chairman that a resolution on a show of hands has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of, or against, such resolution.

(11) If a motion for a Special Resolution or an election of Directors is to be put to the vote of the meeting or there is a contest for the office or appointment of auditor, a poll shall be deemed to have been demanded by the Chairman.

(12) Except in the case of a motion for a Special Resolution or of an election of Directors or of a contest for the office of auditor, the demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the Chairman, and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

(13) If a poll is duly demanded in accordance with paragraph (9) it shall be taken at the meeting at which it is demanded or, if the Chairman so decides, at an adjourned meeting and in either case (subject to Rules 16(10) and 43(6) in the case of an election of Directors or a contested appointment of auditors) in such manner, subject to paragraphs (15) to (17) below, as the Chairman directs and the result of the poll, shall, notwithstanding paragraph (3) of this Rule, be deemed to be the resolution of the meeting or adjourned meeting at which the poll was taken. The Chairman may, in the event of a poll, appoint the scrutineers (who need not be Members of the Society) and may adjourn the meeting or adjourned meeting to some hour, date and place fixed by him for the purpose of declaring the result of the poll.

(14) A poll demanded on a question of adjournment shall be taken forthwith and the result declared immediately upon the conclusion of the taking of the poll. A poll demanded on any other question shall not prevent the continuance of a meeting for the transaction of any business other than that upon which the poll has been demanded.

(15) Voting papers to be used on a poll shall be valid only if they are issued by the Society. If a Member is not voting by proxy, such voting papers must include the declaration required by the Statutes and shall otherwise be in such form and with such declarations as the Chairman shall direct.

(16) The Board may make regulations for the taking of polls, for the conduct of elections, for the counting of votes and for the safekeeping or destruction of forms of proxy and voting papers, and may appoint scrutineers in relation to any meeting and any vote to be taken thereat.

(17) The Persons entitled to attend a meeting of the Society shall be -

(a) the Directors, the Secretary and the auditors;

- (b) all Members entitled to vote on any resolution included in the notice of the meeting, or, in the case of the Annual General Meeting, on the election of the Directors;
- (c) any proxy, Corporate Representative (subject to the provisions of Rule 38(6) or receiver or other Person appointed as mentioned in, and subject to the provisions of, Rule 38(4), acting on behalf of any such Member;
- (d) any other Person who is, at the date of the meeting, a Member of the Society and to whom notice of the meeting was given.

For the avoidance of doubt a Person who is (or was when notice of the meeting was given) a joint holder of Shares or a joint Borrower but not the Representative Joint Shareholder or Representative Joint Borrower is not entitled as such to attend a meeting.

- (18) No Person who is not entitled to vote in person on a resolution included in the notice of the meeting (or, in the case of the Annual General Meeting, on the election of Directors) shall be entitled to speak at a meeting of the Society other than -
  - (a) the Directors, the Secretary and (where appropriate) the auditors,
  - (b) Corporate Representatives (subject to the provisions of Rule 38(6)) and receivers and other Persons appointed as mentioned in, and subject to the provisions of, Rule 38(5), entitled to attend the relevant meeting on behalf of a Member,

but a proxy may speak for the purpose of demanding or joining in the demand for a poll.

- (19) In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is taken, shall be entitled to a second or casting vote.
- (20) Security Arrangements

The Board may direct that Persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to, or to authorise one or more Persons who shall include a Director or the Secretary or the Chairman of the meeting to, refuse entry to, or to eject from, such general meeting any Person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

- (21) Orderly Conduct

The Chairman shall take such action or give directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting and the Chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

- (22) Amendments to Resolutions

In the case of a resolution duly proposed as a Special Resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon and in the case of a resolution duly proposed as an Ordinary Resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon.

- (23) Amendments Ruled Out of Order

If an amendment shall be proposed to any resolution under consideration but shall be ruled out of order by the Chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

### **38. ENTITLEMENT OF MEMBERS TO VOTE ON RESOLUTIONS**

- (1) Subject to paragraphs (2) and (3) below, a Member is entitled to vote
  - (a) on an Ordinary Resolution or a Special Resolution if he was, at the end of the last Financial Year before the voting date, and is, on the voting date, a Shareholding Member or Borrowing Member,
  - (b) on a Shareholder Members' Resolution if he was, at the end of that year, and is, on the voting date, a Shareholding Member, and
  - (c) on a Borrowing Members' Resolution if he was, at the end of that year, and is, on the voting date, a Borrowing Member.
- (2) A Shareholding Member is entitled to vote on a resolution (whether Ordinary, Special or a Shareholding Members' Resolution) if -
  - (a) being an Individual he is not a minor on the voting date, or where he is voting by proxy, on the date

- of the meeting at which the resolution is intended to be moved, and
- (b) in the case of a joint Shareholding he is the Representative Joint Shareholder, and
  - (c) he held Shares to the value of not less than £100 -
    - (i) at the end of the Financial Year before the voting date, or
    - (ii) if the voting date falls during that part of the Financial Year which follows the conclusion of the Annual General Meeting commenced in that year, at the beginning of the period of 56 days immediately preceding the voting date for Members voting in person at a special general meeting or a postal ballot,
 as the case may be, and
  - (d) he has not ceased to hold Shares at any time between the time referred to in (c)(i) or (ii) above (as applicable) and the voting date.
- (3) A Borrowing Member is entitled to vote on a Resolution (whether Ordinary, Special or Borrowing Members') if -
- (a) being an Individual he is not a minor on the voting date or, where he is voting by proxy, on the date of the meeting at which the resolution is intended to be moved, and
  - (b) in the case where the Loan has been made to two or more Members jointly he is the Representative Joint Borrower, and
  - (c) the amount of his Mortgage Debt to the Society in respect of that Loan both at the end of the last Financial Year before the voting date and at that date is not less than £100, and
  - (d) where a Borrowing Members' Resolution approving the transfer of the engagements of the Society is moved, his is one of the Mortgages to be transferred.
- (4) (a) On a show of hands every Member entitled to vote who is present in person shall (subject to the provisions of paragraphs (5) and (6) below) be entitled to one vote, and
- (b) on a poll every Member entitled to vote and present in person or by proxy shall save as hereinafter provided and subject to the provisions of paragraphs (5) and (6) below be entitled to one vote. If a Member has appointed a proxy, he shall not be entitled to vote in person on a poll unless he has previously revoked the appointment of a proxy and has given written notice of such revocation to the Society either -
- (i) at the Principal Office before the date of the meeting in accordance with the proviso to Rule 39(9), or
  - (ii) in such manner as the Board may prescribe, at or before the meeting.
- (5) A Member who is entitled to vote on a resolution but in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other representative in that behalf appointed by that court. Any such receiver, curator bonis or other representative may, on a poll, vote by proxy. Evidence to the satisfaction of the Board of the authority of the Person claiming to exercise the right to vote shall be deposited by the time and at the place required for the deposit of proxy instruments under Rule 39 in relation to the relevant meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.
- (6) A body corporate entitled to vote on a resolution may by resolution of its directors or other governing body expressed in a deed or other duly executed instrument authorise a Person (who need not be a Member) to act as its Corporate Representative at a meeting or adjourned meeting. The original or a certified copy of the resolution shall be deposited by the time and at the place required for deposit of proxy instruments under Rule 39 in relation to the relevant meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable. Without prejudice to the right of the body corporate itself to appoint a proxy, such Corporate Representative shall not be entitled to appoint a proxy but shall (subject to Rule 39(7)) otherwise be entitled to exercise the same powers on behalf of the body corporate he represents as that body corporate could exercise if it were an Individual Member entitled to be present at the meeting.

### **39. APPOINTMENT OF PROXIES**

- (1) A Member entitled to attend and vote at a meeting of the Society -
- (a) may appoint one Individual (whether a Member or not) as his proxy to attend and, on a poll, to



#### **40. JOINT SHAREHOLDERS AND JOINT BORROWERS**

Any reference in these Rules to any number of Members shall be read as if any joint Shareholding were held by the Representative Joint Shareholder and as if any Loans received jointly were received by the Representative Joint Borrower.

#### **41. POSTAL BALLOTS**

- (1) The Board may determine to submit a resolution for decision by postal ballot, but the power conferred by this Rule shall not be exercisable in respect of -
  - (a) any resolution required by the Statutes to be passed at a meeting of the Society, or
  - (b) resolutions for the appointment or re-appointment of an auditor or for the removal of an auditor before the expiration of his term in office, or
  - (c) any resolution required by the Statutes or these Rules to be passed as a Shareholding Members' Resolution or a Borrowing Members' Resolution.
- (2) If any resolution is passed or is rejected at any general meeting or adjourned general meeting then, if in the opinion of the Board the carrying into effect of such resolution would be injurious to the Society (in the one case) or the passing of such resolution would be beneficial to the Society (in the other case), the Board may within one month after that meeting -
  - (a) determine to submit the resolution for decision by postal ballot, and
  - (b) cause the operation of a resolution passed to be suspended until such a decision.
- (3) Within one month (or such longer period as the Board may deem necessary) after the determination of the Board under paragraphs (1) or (2) above the Society shall give notice of the postal ballot in accordance with the Statutes.
- (4) The voting paper shall incorporate the declaration required by the Statutes and shall otherwise be in such a form, including such other additional declarations, and be accompanied by, or incorporate, such explanatory notes, as the Board may decide.
- (5) The accidental omission -
  - (a) to give notice of a postal ballot, or
  - (b) to send a voting paper, or
  - (c) to send any document required to accompany such a notice,to any Person entitled to receive it, or non-receipt of such a notice, voting paper or document by such a Person, shall not invalidate the postal ballot.
- (6) Subject to the provisions of the Rules and the Statutes, the Board may make regulations relating to the ballot, including the conduct of the ballot and such regulations in relation to the conduct of the ballot may include the appointment of scrutineers and an Individual to decide all questions which may arise relating to the postal ballot except such as are by this Rule delegated to the Board and the Board shall announce the result of the postal ballot in such manner as the Board shall determine.
- (7) On a postal ballot every Member entitled to vote shall have one vote.
- (8) The matter in question shall be decided by the appropriate majority of the votes given and where relevant the appropriate proportion of eligible Members voting and if the decision is -
  - (a) to rescind a resolution, it shall be rescinded as from the time at which the counting of the votes is completed but any such rescission shall not affect the validity of any act done under the resolution before it was suspended, or
  - (b) to carry into effect or to pass a resolution, that resolution shall come into effect from the time at which the counting of the votes is completed.
- (9) The sending of a voting paper to any Person not entitled to vote shall not entitle such a Person to vote nor shall it invalidate the postal ballot.

#### **42. COUNTING OF VOTES**

If on a show of hands, a poll or a postal ballot -

- (a) any votes are counted that ought not to have been counted, or
- (b) any votes are not counted that ought to have been counted,

the error shall not vitiate the decision arrived at unless it has been in the opinion of the Chairman or in the case of a postal ballot the Individual appointed by the Board pursuant to regulations made under

Rule 41(6) of sufficient magnitude so to do.

#### **43. AUDITORS**

- (1) At each Annual General Meeting the Society shall appoint one or more auditors to hold office as such from the conclusion of that meeting until the conclusion of the next Annual General Meeting.
- (2) No Person shall be appointed as an auditor of the Society unless he is qualified for such an appointment by or under the Statutes.
- (3) The Board may appoint any Person qualified for appointment under this Rule to fill any casual vacancy but, while any such vacancy continues, any surviving or continuing auditor may continue to act.
- (4) If notice of intention to move a resolution at an Annual General Meeting or special general meeting -
  - (a) appointing as auditor a Person other than a retiring auditor, or
  - (b) filling a casual vacancy in the office of auditor, or
  - (c) reappointing as auditor a retiring auditor who was appointed by the Board to fill a casual vacancy, or
  - (d) removing an auditor before the expiration of his term of office,is to be given, the notice, if it is to be effective, must be given in accordance with paragraph (5) hereof
- (5) Such notice must be given to the Society not less than 28 clear days before the meeting at which it is to be moved -
  - (a) by the Board, or
  - (b) in the case of an Annual General Meeting, by the Requisite Number of Qualified Members entitled to move a resolution under Rule 35(9), or
  - (c) in the case of a special general meeting, by 500 Members qualified to requisition such a meeting under Rule 34(6),and the Society shall give notice of the resolution (and send copies of any appropriate representations made by the auditors in due time) to the Members entitled to receive notice of the meeting at which the resolution is to be moved.
- (6) If at an Annual General Meeting or special general meeting there is a contest for the office of auditor in that there are more candidates for such office than there are vacancies, the vote shall be taken on a poll, which shall be deemed to have been demanded by the Chairman and the candidates obtaining the most votes shall fill the vacancies. The procedure for the poll shall mutatis mutandis be that set out in Rule 16(9).
- (7) The remuneration to be paid to the auditors shall be fixed by the Board and, for the purposes of this paragraph, the term "remuneration" shall be deemed to include sums to be paid in respect of the auditors' expenses.

#### **44. COMMON SEAL**

- (1) The Common Seal of the Society shall bear the name of the Society in a circle enclosing, for a device, a Castle and Fleece with the motto "Industria et Spe" or such other device as the Board may determine to adopt for the Society.
- (2) The Society may have in addition to the Common Seal one or more other seals each of which shall be a facsimile of the Common Seal. Any provisions relating to the safe custody and otherwise of the Common Seal shall also apply to any such facsimile seals. Documents requiring to be executed by the Society under seal may be executed by the Common Seal or a facsimile of the Common Seal.
- (3) The Common Seal shall be kept at the Principal Office or at such other place as the Board may from time to time determine, and shall be in the custody of such Individual as the Board may from time to time direct.
- (4) The Common Seal shall not be used without the authority of the Board and, when used or affixed to any document, such document shall be countersigned by such Individual or Individuals as the Board may authorise for that purpose from time to time. All documents so sealed and countersigned shall be deemed to be validly executed by the Society.
- (5) In this Rule the word "countersigned" includes the use of a facsimile signature by whatever process reproduced. The use of such facsimile signature is only authorised in so far as it is permitted from time to time by law.

#### **45. CUSTODY OF DOCUMENTS**

- (1) All documents of title and other securities belonging to the Society and all the documents relating to -
  - (i) land on which Loans by the Society are secured, and
  - (ii) Loans, whether or not they are secured, made by the Societyshall be kept in safe custody by such employees of the Society as the Board shall appoint for the purpose either -
  - (a) at the Principal Office, or
  - (b) at such other place or places as may from time to time be determined by the Board,and the consent of the Board or of an Officer or of such an employee shall be required on each occasion on which any such document is released from the custody of such an employee.

#### **46. DISPUTES**

- (1) In this Rule the word “dispute” means a dispute between the Society and a Member in his capacity as a Member (whether or not the subject of the dispute may also be the subject of a complaint to an Ombudsman under the terms of an Ombudsman Scheme of which the Society is a member), or a representative of a Member in that capacity, in respect of a refusal by the Society to send to its Members -
  - (a) copies of an election address or revised address because the Board considers that the requirement in sub-paragraph (e) of Rule 16(5) has not been met, or
  - (b) a notice such as is mentioned in Rule 35(10)(a) or a statement such as is mentioned in Rule 35(10)(b) because the Board considers that the tenor of the document or documents is of the nature specified in Rule 35(11)(b)(ii) or (v).
- (2) A dispute shall be referred to three arbitrators for arbitration and their award, or the award of a majority of them, shall be final and binding.
- (3) The Society shall have six arbitrators, each of whom shall be appointed by the Board and, if an arbitrator dies or refuses or neglects to act, the Board shall so soon as practicable appoint another arbitrator to act in his place.
- (4) The Board shall not appoint as an arbitrator an Individual who is beneficially interested, whether directly or indirectly, in the funds of the Society and an arbitrator who subsequent to his appointment becomes so interested shall be deemed to have resigned his appointment and shall not act on a reference.
- (5) The arbitrators to act in a dispute shall be selected by the auditor or auditors by lot from those he or they consider are able to act.
- (6) For the purposes of the legislation relating to arbitration the Rules shall be treated as an arbitration agreement but this paragraph shall not apply in relation to Scotland.

#### **47. DISTRIBUTION OF SURPLUS ASSETS ON WINDING-UP OR DISSOLUTION**

- (1) If the Society -
  - (a) is wound up voluntarily or by the court, or
  - (b) is dissolved by consent of the Members holding Shares in the Society,any surplus assets remaining after payment to creditors of all sums due to them, to Members of the amount standing to their credit in respect of their Shares (with all interest due on those Shares, excluding, for the avoidance of doubt, interest accrued at the date of payment but not capitalised), not being deferred Shares to qualifying holders of deferred Shares of the Society of the relevant proportion of the amounts respectively paid up in relation to those Shares (with interest due on those Shares to the extent required by, and in the manner provided in, their terms and conditions of issue) and to all other Persons entitled to prior payment of the amounts owed to them (but so that payments to Members shall be made according to their priority under the terms and conditions of issue of their respective Shares, and if there are insufficient assets to repay all Members the amounts paid up on their Shares (with all interest due thereon, excluding, for the avoidance of doubt, interest accrued at the date of payment, but not capitalised), no repayments and no payment of interest shall be made in respect of any deferred Share until after all sums standing to the credit of Members in respect of all other Shares have been repaid in full) shall either be applied in accordance with the instrument of dissolution (if any) or, where there is no such instrument, be distributed as follows:
  - (i) to the qualifying holders of any or all of the deferred Shares of the Society to the extent (if any) required by their terms and conditions of issue, provided that the aggregate amount so distributed

shall not in any circumstances exceed an amount equal to 20% of the value of the surplus assets; and

- (ii) the balance shall be divided among qualifying Members in proportion to the amounts which stand to their credit in respect of their Shares (other than deferred Shares) as at the date of the commencement of the dissolution or winding-up.

For the purposes of this Rule -

“qualifying holders” means those Persons who hold deferred Shares in the Society on the date of the commencement of the dissolution or winding-up or on such later date as may be fixed (for the purpose of distributions pursuant to this Rule) by the Board or by the instrument of dissolution (if any);

“relevant proportion” means the proportion (which may be the whole or less than the whole) determined in accordance with the terms and conditions of issue of the relevant deferred Shares for the purposes of a distribution on a winding-up or dissolution; and “qualifying Members” means those Persons who hold, on the date of the commencement of the dissolution or winding-up, Shares in the Society.

- (2) If the Society commences liquidation, the liquidator may, if authorised by the instrument of dissolution (if any) or, if there is no instrument of dissolution, by the Special Resolution passed in the case of a voluntary winding-up and, in any case, if and to the extent permitted by the Statutes -
  - (a) divide among the Members in kind the whole or any part of the assets of the Society (whether they shall consist of property of the same kind or not) and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out as between the Members or different classes of Members, or
  - (b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like authorisation, shall think fit,

but so that -

- (i) no Member shall be compelled to accept any Shares or other assets upon which there is any liability; and
- (ii) the distribution division or vesting shall be subject to and shall comply with the requirements set out in Rule 47(1).

#### **48. COMMUNICATIONS WITH MEMBERS BY ADVERTISEMENTS AND ANNOUNCEMENTS**

- (1) The requirements of Rule 15(5)(b) and Additional Rule 1(2) for publicising by way of advertisement alterations in rates of interest on Shares already held or in any other of the terms on which the Shares are held and on Mortgages already entered into, or any charges to be levied on Members, shall be met if -
  - (a) an advertisement announcing the alterations and showing the date on which each alteration is to take, or took, effect appears in two or more daily newspapers (of which one shall have a national circulation) and in the case of communications relating to PIBS, in at least two national daily newspapers currently selected by the Board, and
  - (b) in the case of Mortgages, the advertisement appears on such day of the month as the Board shall from time to time determine but, if publication of the advertisement in each of the selected newspapers is not possible on that day through any cause outside the control of the Society, the requirement of this sub-paragraph shall be deemed to be met if the advertisement appears in the earliest possible succeeding issue of the selected newspaper or newspapers concerned.
- (2) The Board shall select at least two daily newspapers for the purposes of paragraph (1) above and may vary its selection from time to time.
- (3) The Board shall maintain a list of newspapers currently selected by it for the purposes of paragraph (1) above so that any Member who enquires of the Society can be informed as to the newspapers so selected.
- (4) The Society shall not be obliged by the Statutes or these Rules to send a notice (including a notice of a meeting or a notice of a postal ballot), a voting paper or other document to a Member in whose case the Society has reason to believe that communications sent to him at his Registered Address are unlikely to be received by him but in the case of a notice of a meeting (served by the Society pursuant to Rule 35(13)) and in the case of a notice of a postal ballot pursuant to Rule 41 the Society shall, if it decides not to send the notice to him by post in accordance with those provisions, instead display in a prominent position at the Principal Office and in every branch office of the Society a notice of the holding of the meeting or a notice of the holding of the postal ballot which -

- (a) must be given not later than 21 clear days before the date of the proposed meeting, or 21 clear days calculated from the final date for the receipt of proxies, or, as the case may be, the final date for the receipt of completed voting papers, and
- (b) must state where Members may obtain -
  - (i) copies of the resolutions and of any statements with respect to the matter referred to in a resolution, and
  - (ii) either forms relating to voting by proxy or, in the case of a postal ballot, the voting papers.

#### **49. ALTERATION OF RULES**

These Rules may be altered or rescinded or added to by passing a resolution as a Special Resolution.

#### **50. NOTICE TO THE SOCIETY**

- (1) Any notice or other document to be served on the Society under these Rules may be served -
  - (a) by leaving it, addressed to the Secretary, at the Principal Office, or,
  - (b) by sending it by post, or delivering it, to him at that Office.
- (2) Any notice or other document to be served by the Society on a Member under these Rules may be served either on him personally or by sending it by post or otherwise by delivering it addressed to him at his Registered Address, and a notice or document so sent or delivered and addressed shall be deemed to have been duly served 48 hours after having been posted or delivered.
- (3) A notice may be given by the Society
  - (a) to the Persons entitled to a Share in the Society, or
  - (b) to the Persons entitled to land already in Mortgage to the Society in consequence of the death or bankruptcy of a Member by sending it through the post addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, within the United Kingdom supplied for the purpose by the Persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred, or
  - (c) where a Member is suffering from mental disorder, to his receiver, curator bonis or other Person in that behalf appointed by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder by sending the notice by post to the address supplied for the purpose by the aforesaid receiver, curator bonis or other Person or, until such an address has been so supplied, by sending the notice by post to the Registered Address of the Member.
- (4) A notice or other document may be given or sent by the Society to joint Members by sending it to the Representative Joint Shareholder or Representative Joint Borrower.
- (5) Except where required by the Statutes, the Rules, the terms and conditions of issue of any Shares or otherwise, the Society shall not be bound to communicate with the Members generally or with any class of Members in any other manner than by advertisement.

## ***Additional Rules***

### **PREFACE**

Where these Additional Rules use any defined term, that term has the same meaning as defined in the Rules. However, references to the "Rules" are references to the 1998 Rules as may be amended, from time to time.

These Additional Rules apply to accounts (whether share, deposit or in respect of advances) opened before the Rules took effect and should be read by holders of such accounts in conjunction with the Rules. A full copy of the previous edition of the Society's rules is available on request from The Bailey, Skipton, North Yorkshire, BD23 1DN.

Members need only refer to these Additional Rules if -

- (a) they became a Member prior to the Rules taking effect, and
- (b) the Rules are silent on a matter included in the previous edition of the Society's rules.

### **1. SHARES**

Members who have one or more Share accounts (including PIBS) currently in existence which were opened before these Rules took effect should read this Additional Rule in conjunction with Rule 8 of the Rules.

- (1) The terms on which Shares or classes of Shares are to be issued shall be determined by the Board and, without prejudice to the generality of the power of the Board to determine such terms, it may -
  - (a) determine the rates of interest or bonus (if any) to be paid on Shares or classes of Shares and the conditions subject to which the rates of interest or bonus (if any) shall be payable;
  - (b) without notice, limit at any time and from time to time the amount that may be withdrawn in respect of any Shareholding.

This Rule is subject, in the case of any PIBS, to the terms and conditions of issue of the PIBS.

On proof of the death of any joint Shareholder, the survivor or survivors shall be the only Person or Persons recognised by the Society as having any title to or interest in the Shareholding and he or they shall be entitled, subject to these Rules, to transfer such Shareholding and (except in the case of any PIBS, subject to the terms and conditions of its issue) to withdraw principal and interest accordingly.

- (2) In the case of Shares or classes of Shares already issued, the Board shall, subject to the terms and conditions on which any particular Shares or any particular classes of Shares are held, have power to change such terms as follows -
  - (a) the Board may change at any time any rate of interest to be paid and in doing so it shall use its best endeavours to ensure any such alteration (if and so far as it is not notified by post to the Members holding the Shares or class of Shares concerned) shall be publicised as follows -
    - (i) by a notice exhibited at the Principal Office and at all branch offices of the Society; and
    - (ii) by advertisement in accordance with Rule 48(1);
  - (b) it may change at any time any term, either by agreement with the Members holding the Shares or class of Shares concerned, or, if such terms and conditions expressly allow, by publication in accordance with 2(a) above;

An accidental omission to exhibit a notice (where required) or to publicise under (a) or (b) above shall not affect the validity of the alteration.

- (3) Except as otherwise provided in the Rules, the Society shall be entitled to treat the Primary Holder of any Share, as denoted on the Share account (or in the case where there is no such Share account the Register of Members) as the absolute owner thereof, and accordingly it shall not, except as ordered by a court of competent jurisdiction or as by statute required, be bound to recognise any trust or equitable or other claim to or interest in or charge on or security over such Share (whether or not it shall have express or other notice of any trust or equitable or other claim, interest, charge or security) nor be held responsible for omitting or neglecting to recognise any such claim.
- (4) Except with regard to PIBS, a Member may, subject to the terms of issue of his Share and to the prior approval of the Board, transfer his Share to another Person on payment to the Society of such fee (if any) as the Board may from time to time determine. No transfer shall be valid unless made in a form approved by the Board and until registered in the records of the Society. The Board may refuse to permit a transfer without giving any reason. The Board may retain any instrument of transfer which is registered.

## **2. UNCLAIMED BALANCES**

If -

(1)

- (a) for a continuous period of 3 years any Shareholder (other than of a PIBS) who has not received a Loan or an advance from the Society makes no payment to the Society and does not claim any moneys standing to the credit of his account with the Society, and
- (b) the amount standing to the credit of such account is less than £100, and
- (c) such Shareholder cannot be traced after reasonable enquiry,

the Board may resolve that such account be closed and that the money credited to the account be forfeited to the Society but the Board may thereafter reinstate the account (on the original terms and conditions which applied on the date on which the account was closed) and re-credit the money which was credited to the account with interest and consent to a request for the reopening and reinstatement of the account, which consent shall not be unreasonably withheld.

(2)

- (a) for a continuous period of 5 years any Shareholder (other than of a PIBS) who has not received a Loan or an advance from the Society makes no payment to the Society and does not claim any moneys standing to the credit of his account with the Society, and
- (b) such Shareholder cannot be traced after reasonable enquiry,

the Board may resolve that the account, of whatever amount, be closed and that the money credited to the account be forfeited to the Society but the Board may thereafter reinstate the account (on the original terms and conditions which applied to the account on the date on which the account was closed) and re-credit the money which was credited to the account with interest and consent to a request for the reopening and reinstatement of the account, which consent shall not be unreasonably withheld.

## **3. MEMBERSHIP DOCUMENTS AND OTHER RECORDS OF TRANSACTIONS**

- (1) "Membership Document" means passbook or such other evidence of membership or record of transactions as may from time to time be prescribed by the Board.
- (2) Each Member (other than in respect of a PIBS) shall be supplied with a Membership Document which shall remain the property of the Society.
- (3) All Membership Documents shall be forwarded to the Society at such times as the Board may determine, for the purpose of being brought up to date or for such other purposes as the Board may reasonably require.
- (4) A Shareholder shall produce to the Society the relevant Membership Document before making a withdrawal.
- (5) A Shareholder shall immediately notify the Society in writing at the Society's Principal Office if he discovers that any Membership Document is missing. After he has -
  - (a) supplied such evidence regarding the disappearance, together with written notice of the place or places at which the account has normally been operated, and
  - (b) given an indemnity, and
  - (c) paid the fee (if any),

as the Board may require, the Board may transfer the amount standing to his credit in respect of the relevant account in the accounting records of the Society to a new account and shall after such transfer issue him with a new Membership Document.

- (6) If any Person other than the Member to whom it belongs produces any Membership Document or duplicate of a Membership Document and represents himself to be the Person named in the Membership Document and then withdraws or receives any money in respect of the account to which a Membership Document or duplicate Membership Document relates, neither the Society nor any of its Officers shall be responsible unless the previous notice in writing of the loss of such Membership Document shall have been received by the Society at its Principal Office together with notice in writing of the place or places at which the account to which Membership Document relates has normally been operated, and moneys so obtained shall unless otherwise determined by the Board be deemed to have been paid to the Member.

#### **4. LIEN**

(1) If a Person -

- (a) executes a Mortgage or guarantee in favour of the Society, or
- (b) otherwise owes money to the Society,

the Society shall have a first and paramount lien upon all moneys in respect of Shares (other than fully-paid PIBS) or other moneys standing to the credit of such Person with the Society, and, in respect of any sum due and owing under such Mortgage or such guarantee or otherwise the Society may at any time appropriate and use such Shares and other moneys -

- (i) for the credit and in reduction of the Mortgage or guaranteed account, and/or
- (ii) in full or partial settlement of the debt arising otherwise than under a Mortgage or guarantee,

and thereafter no interest or bonus shall be payable upon any money so appropriated.

A fully-paid PIBS shall be free from all liens in respect of liabilities to the Society.

#### **5. DEPOSITS AND LOANS**

*Any Person who made a deposit or loan to the Society before these Rules took effect should read this Additional Rule in conjunction with Rule 11 of the Rules*

(1) The receipt of a Deposit other than a non retail deposit as from time to time defined in or under the Statutes shall be on terms that Additional Rule 1 shall apply mutatis mutandis to a depositor and Deposit as those Rules apply to a Shareholder (other than a holder of PIBS) and a Share (other than PIBS) other than Additional Rule 1(3) and (4).

#### **6. ADVANCES AND LENDING**

*Members who received an advance or other Loan from the Society before these Rules took effect should read this Additional Rule in conjunction with Rule 12 of the Rules.*

(1) Subject to paragraph (2) below, the Board may in its absolute discretion -

- (a) suspend, reduce or waive any repayment of principal, or the payment of interest, or other payment upon such terms and from such date (whether then already past or not) as it may think proper;
- (b) from time to time increase or reduce the rate of interest payable under any Mortgage already entered into (if the terms of the Mortgage deed so permit) and, if such rate is increased, either require the periodical instalments payable to be increased or make other provision for payment of the additional interest and, if such rate is reduced, effect relief in whatever manner it may consider appropriate.
- (c) make further Loans or advances to any Member already having a Loan or an advance.
- (d) vary the provisions of any Mortgage in agreement with the Member.

(2) The Board shall make arrangements reasonably expected to ensure that any alteration in the rates of interest payable under any Mortgages already entered into are publicised, unless the Mortgage deed requires individual notification, by a notice exhibited at the Principal Office and at all branch offices of the Society, in conjunction with advertisement in accordance with Rule 48(1) and, subject to the provisions of the Mortgage deed, any such alteration determined on by the Board shall not take effect on a date earlier than the date on which the notice announcing the alteration is first exhibited at the Principal Office.

(3) An accidental omission to exhibit a notice under paragraph (2) above (where required) shall not affect the validity of the alteration.

(4) Subject to the written agreement of the Member (whether or not contained in the Mortgage deed and whether general or specific), the Society's interest in any Mortgage may be transferred (whether by way of legal or equitable assignment) to a third party on such terms as the Board may deem appropriate.

#### **7. TRANSFER OF LAND SUBJECT TO MORTGAGE**

(1) A Member who has mortgaged land to the Society may, subject to the conditions of the Mortgage, these Rules and the consent of the Board, sell or otherwise transfer the land to a purchaser or transferee subject to the Mortgage.

(2) Upon such a sale or transfer, payment shall be made to the Society by such Member (called

hereinafter in this Rules “the transferor”) of all sums then owing (or such lesser amount as the Board may determine) and the transferor and/or the purchaser or transferee shall pay to the Society a transfer fee of such amount as the Board may determine.

Such purchaser or transferee shall, from the date of the transfer become answerable to the Society for all liability arising under the Mortgage deed, and the Board may release the transferor accordingly, at his cost. The transferee shall not be registered in the records of the Society nor the transferor released from his obligations unless:-

- (a) the requirements of this Rule have been fulfilled, and
- (b) the deed by which the land has been transferred and such further deeds, if any, as the Board may require have first been approved by or on behalf of the Society, all free of cost to the Society, and
- (c) such deed or deeds have been deposited with the Society.

## **8. REDEMPTION OF MORTGAGES**

*Members who received an advance or other Loan from the Society before these Rules took effect should read this Additional Rule in conjunction with Rule 14 of the Rules.*

The Board may release from the Mortgage any part of the mortgaged land if it is satisfied that the remainder will form adequate security for the balance owing thereunder.

## **9. PRODUCTION AND STORAGE OF DEEDS**

- (1) Subject to such conditions as the Board shall specify, any Member requesting the Society to produce to him or to his representative the deeds of land in Mortgage to the Society, or to supply extracts from, or copies of, such deeds, may be required to pay such fee as the Board may from time to time determine. If such fee, having been notified to the Member, remains unpaid for a period of one month from the date of such notification, it may be added to the Mortgage Debt and interest shall be payable on the fee added to the Mortgage Debt in accordance with the terms of the Mortgage.
- (2) If the Board specifies that the pre-registration title deeds are not required by the Society, the Board may determine from time to time an appropriate fee (whether on an annual basis or otherwise) to be charged to the Member for the purpose of providing storage facilities. If the fee, having been notified to the Member, remains unpaid for a period of one month from the date of such notification, it may be added to the Mortgage Debt and interest shall be payable on the fee so added to the Mortgage Debt in accordance with the terms of the Mortgage.

## **10. INSURANCE**

- (1) All property mortgaged to the Society shall be insured in the name of the Society and the Member or (subject to the provisions of paragraph (3) below) in such other manner as the Board may from time to time approve -
  - (a) with an insurer approved by the Board, and
  - (b) against such risks as the Board may from time to time require, and
  - (c) for such amount as the Board may from time to time require, but the Board shall be under no obligation to see to the adequacy of the cover effected by any insurance policy taken out, or approved, by the Board.
- (2) Whenever any fire, life or other insurance whatsoever is effected through the agency of the Society, all sums allotted to the Society by way of commission or otherwise by the insurers shall belong absolutely to the Society, and it shall not be required to account to the Member for it.
- (3) A Member shall not insure on his own behalf, or through his own agency, any property mortgaged to the Society, without the prior agreement of the Board, and then only with such insurer, on such terms, and subject to such conditions (including the Society selecting its own contingency insurance at the Member's expense) as the Board may, in its absolute discretion, prescribe but the Board shall be under no obligation to see to the adequacy of the cover afforded by any insurance policy. If a Member insures on his behalf any property mortgaged to the Society, he shall hold moneys received by him under any insurance as trustee for the Society, and, on demand by the Society, shall pay all moneys received under the insurance policy to the Society, to be applied in or towards the discharge of any debt due to the Society.



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