



CREDIT UNION

NEWSFLASH

APRIL 2009

ALEXANDER SLOAN CHARTERED ACCOUNTANTS



The Treasury has issued the Government's response to last year's consultation on a Legislative Reform Order (LRO) for Credit Unions and Industrial and Provident Societies.

The full document can be obtained using the link from our website and should be read by Credit Unions to gain a full understanding of the response. Some of the Government's responses include their intentions to:

- Set the maximum potential membership limit for Credit Unions at 2 million. This would only apply to Credit Unions with geographical common bonds and not those with common bonds based on association or employment. The limit would apply where there are different types of bond and any of them are geographical.
- Allow a combination of any number of membership qualifications.
- Repeal the 10% non-qualifying member rule and allow Credit Unions to set their own limits via their rules.
- Allow Credit Unions to admit corporate

members. Credit Unions would be able to choose whether to offer these corporate members shares or deferred shares. There will however be limits to the proportion of members which are not individuals (proposed cap of 10%) and the proportion of total assets held and lending to Corporate members.

- Allow Credit Unions to pay interest on deposits although this will be restricted to Credit Unions with the financial strength and operational ability to offer this. The FSA is to look into the rules which will apply to Credit Unions offering interest.
- Abolish the 8% per annum maximum dividend rule.
- Continue to allow each Credit Union's Board to decide on whether the share attachment rules would apply to loans issued by the Credit Union. They state that the policy adopted by the Credit Union should be made clear to the membership.
- Remove the restriction preventing Credit Unions from charging the market rate for providing ancillary services to their members.

It is expected that the draft LRO will be issued shortly. This will allow us to see how the responses will translate into legislation and will tell us when any changes will come into force. The Treasury is recommending an Affirmative Resolution Procedure be applied to this LRO. If applied this would mean that Parliament has 40 days to scrutinise the draft LRO after which, if approved a resolution of each House of Parliament, would allow the LRO to be made.



Contact Details:

If you would like any further information on any of our services or anything covered in this leaflet please contact us:

PLEASE NOTE OUR NEW GLASGOW OFFICE'S CONTACT DETAILS

Phone: (0141) 204 8989
Fax: (0141) 248 9931
E-Mail: creditunion@alexandersloan.co.uk

Website: www.alexandersloan.co.uk/credit.htm

Glasgow Office
38 Cadogan Street, Glasgow, G2 7HF

Edinburgh Office
1 Atholl Place, Edinburgh, EH3 8HP

ABOUT ALEXANDER SLOAN

We are authorised by The Institute of Chartered Accountants of Scotland to carry on audit work and have offices in Glasgow and Edinburgh.

We provide external audit services for a range of both employment and community based credit unions including four of the largest in the country. In addition we provide internal audit services for a number of not for profit organisations.

We provide a range of services for credit unions including:-

- External Audit
- Internal Audit
- System advice/internal audit for banking services
- Developing internal audit programmes for use by the Supervisory committee
- Training for Board and Committee Members
- Annual Return Completion
- Business Plans



Partners: Andrew M. McBean BAcc. C.A., Arnold J.S. Black B.A. C.A., Ewen M. Scott LL.B. C.A., Isobel W. Gray M.A. C.A. F.C.C.A., Alan S. Cunningham B.A. C.A., Mark Mulholland FCCA.

Associates: Steven Cunningham B.A.(Hons) C.A., Philip Morrice, Allison Devine B.Sc. C.A.

Registered to carry out audit work by The Institute of Chartered Accountants of Scotland.

This newsletter is for guidance only, and professional advice should be obtained before acting on any information contained herein. Alexander Sloan, Chartered Accountants can not accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.