

## Co-operatives, Mutuals and Friendly Societies Bill 2022

Sir Mark Hendrick MP introduced this Bill as a Private Members Bill on 15<sup>th</sup> June 2022. Following negotiations with Treasury Ministers, an amended version of the Bill was read for a second time on 28<sup>th</sup> October 2022, and with Government support, passed the Committee Stage on 30<sup>th</sup> November 2022.

**'A Bill to make provision to permit the capital surplus of co-operatives, mutuals and friendly societies to be non-distributable; and for connected purposes.'**

### Summary

Alongside investor-owned firms, co-operatives, mutual insurers and friendly societies have an important part to play in the biodiversity of our economy. These businesses share their origins in self-help movements that are relevant to the economic and social challenges faced by people today. They need a business environment that facilitates this.

They need:

- Government policy that understands and supports the mutual business difference;
- Legislation that is up to date, flexible and permits co-operatives, mutuals and friendly societies to undertake their business purpose of serving their members' needs in the best way possible.

Only by working in a modern and supportive business environment, will co-operatives, mutuals and friendly societies be able to make a full contribution to the prosperity of our country by serving the interests of customers and citizens.

- Co-operatives, mutuals and friendly societies must be able to safeguard their legacy assets to disincentivise demutualisers.

## Co-operatives, mutuals and friendly societies must be able to safeguard their legacy assets to disincentivise demutualisers

The shared ownership feature of co-operatives, mutuals and friendly societies results in the building up of a legacy or inter-generational asset, which is held by current members on trust for themselves and future generations, to further mutual purposes. Nobody is intended to have a personal entitlement to this asset.

This principle is reflected in the main difference between mutual shares and company shares: mutual shares are nominal, fixed in value, whereas company shares fluctuate to reflect the value of the assets of the business.

As witnessed with LV= in 2021, mutuals remain a target for asset stripping demutualisers, attracted by the legacy assets built up over generations.

To disincentivise asset raids, and to help to preserve mutual ownership and corporate diversity, many countries provide co-operatives and mutuals with legislative safeguards to prevent the distribution of legacy assets.

Mutuals should be able to opt-in to such statutory measures to preserve these generational assets for the purpose they were intended. Such statutory protection of capital surplus would enable co-operatives and mutuals to include perpetual provisions in their rules which require a capital surplus to remain dedicated to a mutual purpose.

**The Government is supporting this Bill:**

<https://www.gov.uk/government/news/hm-treasury-supports-private-members-bill-on-co-operatives-mutuals-and-friendly-societies--2>

**The current draft of the Bill can be viewed here:**

<https://publications.parliament.uk/pa/bills/cbill/58-03/0207/220207.pdf>

**The Bill will reach Report stage in the House of Commons on 24 February 2023.  
Progress on the Bill can be tracked here:**

<https://bills.parliament.uk/bills/3193>

**Mutuo, January 2023**