



Building Societies Act 1986

1986 CHAPTER 53

^{F1}[PART III

ADVANCES, LOANS AND OTHER ASSETS]

Class 1 advances and class 2 advances secured on land

^{F1}13 **Security for advances: valuation and supplementary and related provisions.**

- (1) It shall be the duty of every director of a building society to satisfy himself that the arrangements made for assessing the adequacy of the security for any advance to be fully secured on land which is to be made by the society are such as may reasonably be expected to ensure that—
- (a) an assessment will be made on the occasion of each advance whether or not any previous assessment was made with a view to further advances or re-advances;
 - (b) each assessment will be made by a person holding office in or employed by the society who is competent to make the assessment and is not disqualified under this section from making it;
 - (c) each person making the assessment will have furnished to him a written report on the value of the land and any factors likely materially to affect its value made by a person who is competent to value, and is not disqualified under this section from making a report on, the land in question;

but the arrangements need not require each report to be made with a view to a particular assessment so long as it is adequate for the purpose of making the assessment.

- (2) In relation to any land which is to secure an advance, the following persons are disqualified from making a report on its value, that is to say—
- (a) the directors and any other officer or employee of the society who makes assessments of the adequacy of securities for advances secured on land or who authorises the making of such advances;

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- (b) where the society has made, or undertaken to make, to any person a payment for introducing to it an applicant for the advance, that person;
 - (c) where the advance is to be made following a disposition of the land, any person having a financial interest in the disposition of the land and any director, other officer or employee of his or of an associated employer;^{F2} . . .
 - (d) where the advance is to be made following a disposition of the land, any person receiving a commission for introducing the parties to the transaction involving the disposition and any director, other officer or employee of his.
 - ^{F3}[(e) where the advance is to be made in connection with a disposition of other land to the borrower, any person having a financial interest in the disposition of the other land and any director, other officer or employee of his or of an associated employer; and
 - (f) where the advance is to be made in connection with a disposition of other land to the borrower, any person receiving a commission for introducing the parties to the transaction involving the disposition and any director, other officer or employee of his.]
- (3) In relation to any land which is to secure an advance where the advance is to be made following a disposition of the land [^{F4}or in connection with a disposition of other land to the borrower], the following persons are disqualified from making an assessment of the security or authorising the making of the advance, that is to say—
- (a) any person, other than the building society making the advance, having a financial interest in the disposition ^{F5}. . . and any director, other officer or employee of his or of an associated employer; and
 - (b) any person receiving a commission for introducing the parties to the transaction involving the disposition and any director, other officer or employee of his.
- (4) Any person who, being disqualified from doing so—
- (a) makes a report on any land which is to secure an advance,
 - (b) makes an assessment of the adequacy of the security for an advance, or
 - (c) authorises the making of an advance,
- and in the case of a person making a report does so knowing or having reason to believe that the report will be used or is likely to be used for the purposes of the advance, shall be liable on summary conviction to a fine not exceeding level 4 on the standard scale.
- (5) For the purposes of this section, any two employers are associated if one is a body corporate of which the other (directly or indirectly) has control or if both are bodies corporate of which a third person directly or indirectly has control; and the expression “associated employer” shall be construed accordingly.
- (6) In this section “commission” includes any gift, bonus or benefit and, for its purposes, a person shall be taken to have a financial interest in the disposition of any land if, but only if, he would, on a disposition of that land, be entitled (whether directly or indirectly, and whether in possession or not) to the whole or part of the proceeds of the disposition.

^{F1}(7)]

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Textual Amendments

- F1** Pt. III (ss. 10-23) repealed (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 12(1)(a), 46(2), 47(3), **Sch. 9**; S.I. 1997/2668, art. 2, Sch. Pts. I(b)(o)(i), **II(j)**
- F2** Word immediately preceding s. 13(2)(d) repealed (3.1.1995) by 1994 c. 40, ss. 81, 82(2)(g), **Sch. 17**
- F3** S. 13(2)(e)(f) inserted (3.1.1995) by 1994 c. 40, ss. 39, 82(2)(e), **Sch. 11 para. 7(4)**
- F4** Words in s. 13(3) inserted (3.1.1995) by 1994 c. 40, ss. 39, 82(2)(e), **Sch. 11 para. 7(5)(a)**
- F5** Words in s. 13(3)(a) repealed (3.1.1995) by 1994 c. 40, ss. 39, 81, 82(2)(e)(g), Sch. 11 para. 7(5)(b), **Sch. 17**

Modifications etc. (not altering text)

- C1** S. 13 modified by S.I. 1986/2169, art. 6
- C2** S. 13(7) excluded by S.I. 1987/1498, art. 7, **Sch. 2 para. 4**
- C3** S. 13(7) restricted (1. 7. 1992) by S.I. 1992/1547, arts. 5, 6, **Sch. 2**

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 5(11)-(14) inserted by [2007 c. 26 s. 1\(2\)](#)
- s. 5(13)(a) substituted by [S.I. 2013/496 Sch. 8 para. 4\(4\)](#)
- s. 7(6A)-(6C) inserted by [2007 c. 26 s. 1\(1\)\(a\)](#)
- s. 7(8A) inserted by [2007 c. 26 s. 1\(1\)\(c\)](#)
- s. 176ZB excluded by [S.I. 2017/400 reg. 14](#)
- s. 246ZA-246ZC excluded by [S.I. 2017/400 reg. 15](#)
- s. 246ZD excluded by [S.I. 2017/400 reg. 16](#)