



Banking Act 1979

1979 CHAPTER 37

PART II

THE DEPOSIT PROTECTION SCHEME

Contributions to the Fund

23 Contributory institutions and general provisions as to contributions

- (1) All recognised banks and licensed institutions which are not excluded by an order under subsection (2) below shall be liable to contribute to the Fund and are in this Act referred to as "contributory institutions".
- (2) The Treasury may by order exclude from subsection (1) above—
 - (a) a body corporate formed under the law of a country or territory outside the United Kingdom, or
 - (b) any other description of institution of which the principal place of business is in a country or territory outside the United Kingdom,if they are satisfied, after consultation with the Board, that, under the law of that country or territory or by virtue of arrangements which are in force there, sterling deposits with the United Kingdom offices of that institution are as well protected as they would be under this Part of this Act.
- (3) The power to make an order under subsection (2) above shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (4) Contributions to the Fund shall be levied on a contributory institution by the Board by service on the institution of a notice specifying the amount due, which shall be paid by the institution not later than twenty-one days after the date on which the notice is served.

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.

- (5) Subject to section 27 below, on each occasion on which contributions are to be levied from contributory institutions (other than the occasion of the levy of an initial contribution from a particular institution under subsection (2) of section 24 below),—
- (a) a contribution shall be levied from each of the contributory institutions; and
 - (b) the amount of the contribution of each institution shall be ascertained by applying to the institution's deposit base the percentage determined by the Board for the purpose of the contributions levied on that occasion.
- (6) In relation to any contribution, the deposit base of an institution is the amount which the Board determine as representing the average, over such period preceding the levying of the contribution as appears to the Board to be appropriate, of sterling deposits with the United Kingdom offices of that institution, other than—
- (a) secured deposits;
 - (b) deposits which had an original term to maturity of more than five years ; and
 - (c) deposits in respect of which the institution has in the United Kingdom issued a sterling certificate of deposit.
- (7) In its application to this section, subsection (5) of section 1 of this Act shall have effect with the omission of paragraphs (b) and (c).

24 Initial contributions

- (1) On or as soon as possible after the appointed day the Board shall levy from all institutions which on that day are contributory institutions initial contributions which produce in the aggregate a total of not less than £5 million and not more than £6 million.
- (2) Subject to subsection (5) below, where an institution becomes a contributory institution after the appointed day, the Board shall levy from it, on or as soon as possible after the day on which it becomes a contributory institution, an initial contribution of an amount determined in accordance with subsection (3) or subsection (4) below.
- (3) Where the institution concerned has a deposit base, then, subject to subsection (1) of section 27 below, the amount of an initial contribution levied under subsection (2) above shall be such percentage of the deposit base as the Board consider appropriate to put the institution on a basis of equality with the other contributory institutions, having regard to—
- (a) the initial contributions levied under subsection (1) above, and
 - (b) so far as they are attributable to an increase in the size of the Fund resulting from an order under subsection (2) of section 25 below, further contributions levied under that section.
- (4) Where the institution concerned has no deposit base, the amount of an initial contribution levied under subsection (2) above shall be the minimum amount for the time being provided for in section 27(1) below.
- (5) The Board may waive an initial contribution under subsection (2) above if it appears to them that the institution concerned is to carry on substantially the same business as that previously carried on by one or more institutions which are or were contributory institutions.

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25 Further contributions

- (1) If at the end of any financial year of the Board the amount standing to the credit of the Fund is less than £3 million, the Board may, with the approval of the Treasury, levy further contributions from contributory institutions so as to restore the amount standing to the credit of the Fund to a minimum of £5 million and a maximum of £6 million.
- (2) If at any time it appears to the Treasury to be desirable in the interest of depositors to increase the size of the Fund, the Treasury may, after consultation with the Board, by order made by statutory instrument amend subsection (1) above so as to substitute for the sums for the time being specified in that subsection such larger sums as may be specified in the order; but no such order shall be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.
- (3) An order under subsection (2) above may authorise the Board forthwith to levy further contributions from contributory institutions so as to raise the amount standing to the credit of the Fund to a figure between the new minimum and maximum amounts provided for by the order.

26 Special contributions and power to borrow

- (1) If it appears to the Board that payments in any financial year of the Board under section 28 below are likely to exhaust the Fund, the Board may, with the approval of the Treasury, levy special contributions from contributory institutions to meet the Fund's commitments in the year.
- (2) Where, at the end of any financial year of the Board in the course of which special contributions were levied, moneys representing the whole or part of those contributions remain in the Fund, those moneys shall be repaid by the Board to the institutions from which they were levied pro rata according to the amount of the special contribution made by each of them.
- (3) If in the course of operating the Fund it appears to the Board desirable to do so, the Board may borrow for temporary purposes up to a total outstanding at any time of £10 million or such larger sum as, after consultation with the Board, the Treasury may from time to time prescribe by order made by statutory instrument.
- (4) A statutory instrument made under subsection (3) above shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (5) Any amount borrowed by virtue of subsection (3) above shall be disregarded in ascertaining whether the amount standing to the credit of the Fund is such that the Board may exercise their power to levy further contributions under subsection (1) of section 25 above.

27 Maximum and minimum contributions

- (1) Subject to subsection (5) below, the amount of the initial contribution levied from a contributory institution shall be not less than £2,500.
- (2) Subject to subsection (5) below, the amount of the initial contribution or any further contribution levied from a contributory institution shall not exceed £300,000.

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- (3) No contributory institution shall be required to pay a further or special contribution if, or to the extent that, the amount of that contribution, together with previous initial, further and special contributions made by the institution, after allowing for any repayments made to it under section 26(2) above or section 32 below, amounts to more than 0.3 per cent, of the institution's deposit base as ascertained for the purpose of the contribution in question.
- (4) Nothing in subsection (3) above—
- (a) shall entitle an institution to repayment of any contribution previously made; or
 - (b) shall prevent the Board from proceeding to levy contributions from other contributory institutions in whose case the limit in that subsection has not been reached.
- (5) The Treasury may from time to time, after consultation with the Board, by order made by statutory instrument amend subsection (1) or subsection (2) above so as to substitute for the sum for the time being specified in that subsection such other sum as may be specified in the order.
- (6) No order shall be made under subsection (5) above unless a draft of it has been laid before and approved by a resolution of each House of Parliament.