



# Building Societies Act 1986

## 1986 CHAPTER 53

### PART VI

#### POWERS OF CONTROL OF THE COMMISSION

##### *Inspections, etc.*

#### **56 Inspections and special meetings: general**

- (1) In the circumstances mentioned in subsection (2) below, the Commission—
- (a) may appoint one or more competent inspectors to investigate and report on the affairs of a building society, or
  - (b) may call a special meeting of a building society to consider its affairs, or
  - (c) may (either on the same or on different occasions) both appoint an inspector or inspectors and call a special meeting for those purposes;
- and, in the circumstances mentioned in subsection (3) below, the investigation or consideration may extend to the affairs of any body corporate which is or at any relevant time has been a subsidiary of or body associated with the building society.
- (2) The powers conferred by subsection (1) above may be exercised either—
- (a) on the application of the requisite number of members of the society, or
  - (b) where no such application is made but the Commission is of opinion that an investigation should be held into the affairs of the society, or that the affairs of the society call for consideration by a meeting of its members.
- (3) The powers conferred by subsection (1) above may be exercised in relation also to a subsidiary of or body associated with a building society either—
- (a) where the application referred to in subsection (2)(a) above so requests, or
  - (b) where the application contains no such request but the Commission is of the opinion that it is necessary for the purposes of the investigation into or consideration of the affairs of the building society that the affairs of the subsidiary or associated body should also be investigated or considered.

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*Status: This is the original version (as it was originally enacted).*

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- (4) Where the inspectors are of the opinion mentioned in subsection (3)(b) above in relation to a subsidiary of or body associated with a building society they may, with the consent of the Commission, extend their investigation to the affairs of the subsidiary or associated body and make their report accordingly.
- (5) For the purposes of subsections (1) to (3) above the requisite number of members—
  - (a) in the case of a building society having more than 1,000 members, is 100, and
  - (b) in the case of any other building society, is one-tenth of the whole number of members of the society.
- (6) The following provisions shall have effect where an application is made as mentioned in subsection (2)(a) above, that is to say—
  - (a) the application shall be supported by such evidence as the Commission may require for the purpose of showing that the applicants have good reason for requiring an investigation by inspectors or consideration by a special meeting, as the case may be, and that the applicants are not actuated by malicious, frivolous, vexatious or scandalous motives in their application ;
  - (b) such notice of the application shall be given to the building society and, in a case where the investigation is to extend to its affairs also, to the society's subsidiary or associated body, as the Commission may direct;
  - (c) the Commission shall require the applicants to give security for payment of the costs of the investigation or meeting before the inspector is appointed or the meeting is called subject, in the case of the costs of an investigation, to an amount not exceeding the corresponding Companies Act limit; and
  - (d) as regards the expenses of or incidental to the investigation or meeting—
    - (i) in the case of an investigation (in whichever way instituted), the expenses shall be defrayed in the first instance by the Commission but without prejudice to its rights to contribution under section 57(10);
    - (ii) in the case of a meeting, the expenses shall be defrayed by the applicants, or out of the funds of the society, or by the members or officers or former members or officers of the society, in such proportions as the Commission may direct.
- (7) Before exercising its powers under subsection (1) above in a case falling within subsection (2)(b) above, the Commission shall inform the building society of the action which it proposes to take and the grounds for that action, and the society shall, within 14 days of receiving the information, be entitled to give the Commission an explanatory statement in writing by way of a reply.
- (8) Where the Commission proposes to exercise its powers under subsection (1) above in a case falling within subsection (3)(b) above, subsection (7) above shall apply in relation to the subsidiary or associated body as it applies in relation to the society.
- (9) Inspectors appointed under this section shall, in addition to having the powers which are necessary for or incidental to the discharge of their functions under this section, have the powers specified in section 57.
- (10) Where a special meeting is called under this section—
  - (a) the Commission may direct at what time and place the meeting is to be held, and what matters are to be discussed and determined at the meeting, and may give such other directions as it thinks fit with respect to the calling, holding and conduct of the meeting;

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- (b) the Commission may appoint a person to be chairman at the meeting or, in default of such an appointment, the meeting may appoint its own chairman ;
- (c) the meeting shall have all the powers of a meeting called according to the rules of the building society ;

and the provisions of this subsection and any direction given under it shall have effect notwithstanding anything in the rules of the building society.

- (11) In this section " the corresponding Companies Act limit" , in relation to security for the payment of the costs of an investigation, is £5,000 or such other sum as is specified for the time being in an order under section 431(4) of the Companies Act 1985 for the purposes of that section.