



# Friendly Societies Act 1992

## 1992 CHAPTER 40

### PART V

#### REGULATION OF FRIENDLY SOCIETIES' BUSINESS

##### *Criteria of prudent management*

#### **50 The criteria of prudent management.**

- (1) If it appears to the Commission—
- (a) that there has been or is, on the part of a friendly society or its committee of management, a failure to satisfy any one or more of the following criteria of prudent management; or
  - (b) that the society's officers do not have the capacity and intention to conduct its affairs so as to satisfy those criteria,
- it shall be entitled to assume for the purposes of its relevant prudential powers that it is expedient to exercise the powers in order to protect the interests of members of the society.
- (2) The prudential powers relevant for the purposes of this section are its powers—
- (a) under section 34 above to impose conditions on a society's authorisation;
  - (b) under section 40 above to give a direction by virtue of subsection (3)(c);
  - (c) under section 51 below to make an order forbidding the acceptance of new members;
  - (d) under section 53 below, to give a direction;
  - (e) under section 90 below, to order a transfer of the society's engagements.
- (3) For the purposes of this Act, the criteria of prudent management are—
- (1) Maintenance of any margin of solvency required by section 48 above.
  - (2) Maintenance of liquid assets sufficient to meet the liabilities of the society as they become due.

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*Status: Point in time view as at 01/01/1994. This version of this provision has been superseded.*

*Changes to legislation: There are currently no known outstanding effects for the Friendly Societies Act 1992, Section 50. (See end of Document for details)*

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- (3) Maintenance of the requisite accounting records and systems of control of business and of inspection and report.
- (4) Direction and management—
  - (a) by a sufficient number of persons who are fit and proper to be members of the committee of management or, as the case may be, other officers, in their respective positions,
  - (b) conducted by them, with prudence and integrity, in the interests of the members of the society.
- (5) In relation to insurance business, direction and management which, in addition to satisfying the other requirements as to direction and management, is such as to fulfil the reasonable expectations of members of the society as to the conduct of such business.
- (6) Conduct of the society's activities with adequate professional skills.
- (7) Supervision of the activities—
  - (a) of any subsidiary of the society or of any body of which the society has joint control; and
  - (b) of any registered branch of the society;
 with due care and diligence in the interests of the members of the society and without detriment to the conduct of the society's activities.
- [<sup>F1</sup>(8) In the case of a society to which section 37(2) or (3) above applies, direction and management which, in addition to satisfying the other requirements as to direction and management, is such as to secure compliance with any obligation imposed on the society by any provision (whether of the law of any part of the United Kingdom or of the law of another member State) giving effect to any of the general insurance or life Directives.]
- (4) Nothing in this section implies that it is improper for a determination for any purpose of the Commission's relevant prudential powers to take account of factors other than the criteria in subsection (3) above.
- (5) In considering whether a society has satisfied the 7th criterion in subsection (3) above, the Commission shall have regard to the extent to which the operation of the subsidiary, jointly controlled body or registered branch is undertaken in accordance with [<sup>F2</sup>the other 7 criteria] in that subsection so far as they are relevant.
- (6) A failure to satisfy any of the first 3 criteria in subsection (3) above shall be treated, for the purposes of this section, as a failure on the part of a society's committee of management prudently to conduct the affairs of the society.
- (7) A failure on the part of an authorised friendly society to comply with any conditions to which its authorisation under section 32 above is subject shall be treated, for the purposes of this section, as a failure on the part of the society's committee of management prudently to conduct the affairs of the society.
- (8) Any carrying on by a friendly society of an activity beyond its powers shall be treated, for the purposes of this section, as a failure on the part of the society's committee of management prudently to conduct the affairs of the society.
- (9) Any carrying on of activities which are beyond its powers—
  - (a) by a subsidiary of, or a body jointly controlled by, an incorporated friendly society; or
  - (b) by a registered branch of a registered friendly society,

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shall be treated for the purposes of this section as a failure on the part of the society's committee of management to supervise the activities of the subsidiary, jointly controlled body or registered branch with due care and diligence.

(10) The following provisions apply for the interpretation of the list of criteria in subsection (3) above in their application to a friendly society, that is to say—

“activities” includes activities the society proposes to carry on;

“requisite”, with reference to accounting records and systems of control, means such as are required by section 68 below; and

“sufficient” with reference to the number of members of a committee of management or of other officers, means sufficient having regard to the range and scale of the society's business.

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**Textual Amendments**

**F1** Criterion in s. 50(3) inserted (1.1.1994) by [S.I. 1993/2519](#), [reg. 2\(2\)](#)

**F2** Words in s. 50(5) substituted (1.1.1994) by [S.I. 1993/2519](#), [reg. 2\(3\)](#)

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**Commencement Information**

**I1** [S. 50](#) wholly in force; [s. 50](#) not in force at Royal Assent see [s. 126\(2\)](#); [s. 50](#) in force for certain purposes at 13.1.1993 by [S.I. 1993/16](#), [art. 2](#), [Sch. 1](#); [s. 50](#) in force for all remaining purposes at 13.9.1993 by [S.I. 1993/2213](#), [art. 2\(1\)](#), [Sch. 2](#)

**Status:**

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**Changes to legislation:**

There are currently no known outstanding effects for the Friendly Societies Act 1992, Section 50.