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STATUTORY INSTRUMENTS

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**1996 No. 1189**

**The Deregulation (Credit Unions) Order 1996**

**Loans to be treated as secured**

5.—(1) After section 11 of the 1979 Act (loans) there shall be inserted—

**“Loans to be treated as secured**

**11A.—(1)** This section applies where—

- (a) a credit union makes a loan to a member of the credit union, and
- (b) at the time the loan is made, the member’s paid-up shareholding in the credit union is equal to or greater than his total liability (including contingent liability) to the credit union, whether as borrower, guarantor or otherwise.

(2) On the application of the member to the credit union, the loan shall be treated for the purposes of this Act as a secured loan.”

(2) In section 7(5) of the 1979 Act (which restricts a member’s right to withdraw shares in a credit union where the withdrawal would take his shareholding below his liability to the credit union) for paragraph (a) there shall be substituted—

- “(a) in the case of a member to whom there is a loan by the credit union which is treated by virtue of section 11A below as a secured loan, the withdrawal shall not be permitted;”.