

# HM Treasury supports Private Members' Bill on Co-operatives, Mutuals, and Friendly Societies

News story

HM Treasury is supporting Sir Mark Hendrick's Private Members' Bill on Co-operatives, Mutuals, and Friendly Societies.



The Private Members Bill on Co-operatives, Mutuals and Friendly Societies grants HM Treasury the power to bring forward regulations to give those mutuals further flexibility in determining for themselves the best strategies for their business, relating to their surplus capital. This will provide additional safeguards against demutualisation for the societies that choose to adopt the so-called "asset lock".

The Bill is therefore a valuable opportunity to support mutuals who wish to ensure that their underlying assets, in many cases built up over centuries by members pooling their resources together for the greater good, are protected and the mutual model preserved into the future.

By allowing for an iron-clad guarantee in legislation for mutuals that wish to adopt these restrictions, the Bill will make these asset locks harder to unpick. It will provide additional safeguards against demutualisation – where a mutual becomes a company with shareholders, a process which can, in some cases, aim to capture the asset value of the mutual as a windfall. It will ensure mutual capital is maintained for the purpose it is intended; to provide goods and services to those who need them now and for future generations.

Importantly, the Bill has been drafted to ensure the government has time to engage closely with the sector, regulators, and legal experts as the secondary legislation to give effect to the policy is developed.

This will allow the final design of the policy to take account of the existing rights and interests of consumers, particularly policyholders of

financial mutuals, and to reflect the different types of business models in this diverse sector.

More broadly, the government aims to develop a modern and supportive business environment to set mutuals up for future growth and success and is currently exploring the options for reviewing key legislation underpinning the sector.

#### **Further information**

- Mutuals operate up and down the country and are organisations owned by, and run for, their members. Industry estimates suggest that mutual insurers and friendly societies support the savings, pensions, protection and healthcare needs of over 30 million people in the UK. There are over 7,000 co-operatives across the UK with a combined turnover of £39.7 billion.

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