STATUTORY INSTRUMENTS

1989 No. 730

BUILDING SOCIETIES

The Building Societies (Money Transmission Services) Order 1989

Made - - - -	*25th April 1989*
Coming into force	*1st July 1989*

The Treasury, in exercise of the powers conferred on them by section 19 of the Building Societies Act 1986(a), and of all other powers enabling them in that behalf, hereby makes the following Order, a draft of which has been laid before and approved by resolution of each House of Parliament:

Title and commencement

1. This Order may be cited as the Building Societies (Money Transmission Services) Order 1989 and shall come into force on 1st July 1989.

Interpretation

2. In this Order–

"the Act" means the Building Societies Act 1986;

"the 1987 Order" means the Building Societies (Limited Credit Facilities) Order 1987(b); and

"society" means a building society.

Money transmission service debts and accounts

3.—(1) The forms of property which, by virtue of this Order, a society is to have power, subject to the provisions of this Order, to acquire, hold and dispose of as class 3 assets are money transmission service debts.

(2) For the purposes of this Order–

(a) "money transmission service debt" means the sum in which a person is indebted to a society on a money transmission service account (whether that sum represents principal, interest or other sums payable on the money transmission service account and whether it is immediately payable or not),

(b) "money transmission service account holder" means that person, and

(c) "money transmission service account" means an account which is provided by a society to a person to facilitate the provision of money transmission services by the society to that person and on which that person may, temporarily or occasionally, in the course of and as an incident of receiving money transmission services from the society, become indebted to the society.

(a) 1986 c.53. Schedule 8 was amended by the Banking Act 1987 (c.22), Schedule 6, paragraph 26(8), and varied by S.I. 1988/1141.
(b) S.I. 1987/1975.

Societies to which power is available

4. The power conferred by this Order is not available to a society which does not for the time being have a qualifying asset holding, but the cessation of its availability does not require the disposal of any property.

Limit on power

5. A society may acquire, hold and dispose of a money transmission service debt only where it is owed by a person other than an individual.

Class 3 asset limits

6. The aggregate of money transmission service debts owing to a society shall count in accordance with section 20 (commercial asset structure requirements) of the Act towards the limits applicable to class 3 assets under that section, and in calculating that aggregate–

(a) where the society has the power conferred by section 34(1) of and item 1 of Part I of Schedule 8 to the Act (power to provide banking services) and the power conferred by this Order, any current overdraft which could be permitted under either of those powers shall be treated as a money transmission service debt;

(b) where a money transmission service account holder holds other accounts with the society, the value of any shares or deposits in those other accounts shall not be taken into account;

(c) where the society has money transmission service accounts upon which there is no current indebtedness to the society, the balance of such accounts shall not be taken into account.

Amendment of the 1987 Order

7. For article 7 of the 1987 Order there shall be substituted the following article–

"Class 3 asset limits

7. The aggregate of facility debts owing to a society shall count in accordance with section 20 (commercial asset structure requirements) of the Act towards the limits applicable to class 3 assets under that section, and in calculating that aggregate–

(a) where the society has the power conferred by section 16 of the Act and the power conferred by this Order, and the society has made arrangements which could be made under either of those powers, the society shall, in respect of each such arrangement, record the power under which it is to be treated as having been made;

(b) where the society has the power conferred by section 34(1) of and item 1 of Part I of Schedule 8 to the Act (power to provide banking services) and the power conferred by this Order, any current overdraft which could be permitted under either of those powers shall be treated as a facility debt;

(c) where a facility account holder holds other accounts with the society, the value of any shares or deposits in those other accounts shall not be taken into account; and

(d) where the society has facility accounts in respect of which there are no current facility debts, the balance of such accounts shall not be taken into account.".

David Lightbown
David Maclean

Two of the Lords Commissioners
of Her Majesty's Treasury

25th April 1989

EXPLANATORY NOTE

(This note is not part of the Order)

This Order empowers building societies with commercial assets of at least £100 million to operate accounts on which a person other than an individual can overdraw, temporarily or occasionally, in the course of receiving money transmission services. Any such indebtedness will count as a class 3 asset. Class 3 assets may not currently exceed more than 5 per cent of a society's total commercial assets.

The Order also amends article 7 of the Building Societies (Limited Credit Facilities) Order 1987 so that the aggregation of facility debts for the purposes of calculating the limits applicable to class 3 assets is made in the same manner as the aggregation of money transmission service debts under article 6 of this Order.