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PRA RULEBOOK: NON-CRR FIRMS: NORTHERN IRELAND CREDIT UNIONS INSTRUMENT 2027

Powers exercised

A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137G (The PRA's general rules); and
(2) section 137T (General supplementary powers).

B. The rule-making powers referred to above are specified for the purpose of section 138G (2) (Rule-making instruments) of the Act.

PRA Rulebook: Non-CRR Firms: Northern Ireland Credit Unions Instrument 2027

C. The PRA makes the rules in the following Annex to this instrument.

Commencement

D. This instrument comes into force on [** 2027].

Citation

E. This instrument may be cited as the PRA Rulebook: Non-CRR Firms: Northern Ireland Credit Unions Instrument 2027.

By order of the Prudential Regulation Committee

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Annex

Amendments to the Credit Unions Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

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1.2

In this Part, the following definitions shall apply:

additional activity

means:

…

(2) entering into a *conditional sale agreement*, as the seller, with a *member* of the *credit union* pursuant to section 11E of the Credit Unions Act 1979 in relation to a *Great Britain credit union* or pursuant to article 28F of the Credit Unions (Northern Ireland) Order 1985 in relation to a *Northern Ireland credit union*;

(3) entering into a *hire purchase agreement*, as the *person* from whom goods are bailed or (in Scotland) hired, with a *member* of the *credit union* pursuant to section 11E of the Credit Unions Act 1979 in relation to a *Great Britain credit union* or pursuant to article 28F of the Credit Unions (Northern Ireland) Order 1985 in relation to a *Northern Ireland credit union*;

(4) providing credit cards; ~~or~~

(5) lending to *corporate members*; ~~.~~

(6) making or receiving the referral of a member pursuant to article 28E of the Credit Unions (Northern Ireland) Order 1985; or

(7) entering into a *loan participation arrangement* pursuant to article 28AA of the Credit Unions (Northern Ireland) Order 1985.

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bad debt

refers to:

(1) a loan by a *credit union* to a *member* of that *credit union* or to a *referred member*; or

(2) for a *participating credit union*, a loan by an *originating credit union* to its *member* or a *referred member* in which the *participating credit union* participates pursuant to a *loan participation arrangement*,

that is more than three months in arrears.

borrowings

means the total closing balances of all loans received by a *credit union* (excluding any subordinated loans and any *loan participation arrangement*) and overdrafts and committed lines of credit available to a *credit union*.

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conditional sale agreement

has the meaning given in section 31(1) of the Credit Unions Act 1979 in relation to a *Great Britain credit union* or in article 2(2) of the Credit Unions (Northern Ireland) Order in relation to a *Northern Ireland credit union*.

…

deferred share

has the meaning given by section 31A of the Credit Unions Act 1979 in relation to a *Great Britain credit union* or in article 2(3A) of the Credit Unions (Northern Ireland) Order in relation to a *Northern Ireland credit union*.

…

hire purchase agreement

has the meaning given in section 31(1) of the Credit Unions Act 1979 in relation to a *Great Britain credit union* or in article 2(2) of the Credit Unions (Northern Ireland) Order in relation to a *Northern Ireland credit union*.

…

loan participation arrangement

pursuant to article 28AA of the Credit Unions (Northern Ireland) Order 1985, means an arrangement by which one or more *credit unions* participates in a loan made by another *credit union*.

…

member

means a *person* that is a member within the scope of section 5(2) of the Credit Unions Act 1979 ~~and~~or article 14(2) Credit Unions (Northern Ireland) Order 1985.

net liability

means the outstanding balance of any loan made to a borrower and any interest or charges on that loan that are due but unpaid, less any *attached shares* held by the borrower, subject to the following:

(1) the *attached shares* held by a borrower must not be deducted where the borrower is a *referred member;* and

(2) where a loan is subject to a *loan participation arrangement:*

(a) this definition applies to the extent of the *credit union's* interest in the outstanding balance of any loan made to a borrower by the *originating credit union* and any interest or charges on that loan that are due but unpaid; and

(b) a *participating credit union* can deduct a *member's attached shares* in the *originating credit union* to the extent that the *loan participation arrangement* provides that a *participating credit union* can share in any recovery or set off against the *attached shares*.

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originating credit union

means a *credit union* which makes a loan to its *member* or *referred member* and there is a *loan participation arrangement* in respect of the loan.

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participating credit union

means a *credit union* which participates in a loan made by an *originating credit union* pursuant to a *loan participation arrangement*.

...

referred member

means a *member* of a *credit union* who is referred to another *credit union* ('A') for A to provide a service to that *member* who is to be treated as a *member* of A only for the purpose of the provision of the service by A and for as long as it is being provided.

…

3 LENDING

...

3.3A

Where a *participating credit union* satisfies the requirements of 10.3 and enters into a *loan participation arrangement*:

(1) the time limits in 3.3 apply to a *participating credit union's* interest in a loan made by an *originating credit union*; and

(2) for the purpose of (1), a *secured loan* includes a loan where the terms of the *loan participation arrangement* allow a *participating credit union* to share in any recovery or set off against any security given by the borrower to the *originating credit union*.

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3.5

Subject to 3.5A, 3.6 and 3.7, the outstanding balance of loans by a *credit union* that satisfy the requirements in 10.3:

(1) to a *member*, must not exceed 1.5% of *total non deferred shares* in excess of that *member's attached shares*; ~~and~~

(1A) to a *referred member*, must not exceed 1.5% of *total non deferred shares*; and

(2) to another *credit union* that is not a *member*, must not exceed 1.5% of *total non deferred shares*.

3.5A

Where a *credit union* satisfies the requirements in 10.3 and enters into *loan participation arrangements* as the *originating credit union* or a *participating credit union*:

(1) when applying the lending limits in 3.5(1) and 3.5(1A), the *credit union* must include the extent of its interest in the outstanding balance of any loans to a *member* or *referred member* in accordance with the terms of the relevant *loan participation arrangements*;

(2) for the purposes of (1):

(a) for a *participating credit union*, the reference to *total non deferred shares* in 3.5(1) and 3.5(1A) is the *total non deferred shares* of the *participating credit union*;

(b) a *participating credit union* can take into account a *member's attached shares* in the *originating credit union* to the extent that the *loan participation arrangement* provides that the *participating credit union* can share in any recovery or set off against the *attached shares*; and

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(c) the *attached shares* of a *referred member* cannot be taken into account by an *originating credit union* or by a *participating credit union*; and

(3) the limit in 3.5(2) does not apply.

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3.8

A *credit union* must not lend to a *member* more than £7,500 in excess of the *attached shares* held by that *member*, or to a *referred member* or another *credit union* more than £7,500, unless it has a *capital*-to-assets ratio of at least 5%.

3.9

A *credit union* that is owed by a *member* a total amount greater than £7,500 in excess of the *attached shares* held by that *member*, or by a *referred member* or another *credit union* an amount greater than £7,500, must maintain a *capital*-to-*total-assets* ratio of at least 5%.

3.9A

Where *a credit union* satisfies the requirements in 10.3 and enters into *loan participation arrangements* as the *originating credit union* or a *participating credit union*:

(1) when applying 3.8 and 3.9, the *credit union* must include the extent of its interest in the outstanding balance of loans to a *member* or *referred member* in accordance with the terms of the relevant *loan participation arrangements*;

(2) for the purpose of (1), a *participating credit union* can take into account a *member's attached shares* at the *originating credit union* to the extent that the *loan participation arrangement* provides that the *participating credit union* can share in any recovery or set off against the *attached shares;*

(3) the *attached shares* of a *referred member* cannot be taken into account by an *originating credit union* or by a *participating credit union*; and

(4) the requirements of 3.8 and 3.9 relating to lending to *credit unions* do not apply.

…

6 INVESTMENT

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6.1A

For the purposes of this Chapter, a *credit union's* interest in a *loan participation arrangement* is not an *investment*.

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