AFM RESPONSE TO THE LAW COMMISSION'S CONSULTATION PAPER 270 ON ITS REVIEW OF THE FRIENDLY SOCIETIES ACTS 1974 AND 1992

CHAPTER 1 – INTRODUCTION

Consultation Question 1.
We invite consultees' views on the general need for reform of friendly society law.

We agree with the Law Commission's view that the 1992 Act[*] has become outdated in numerous ways and does not support a thriving and modern environment for friendly societies (paragraph 1.91). The same is even more true of the 1974 Act. Friendly societies make a significant contribution to corporate diversity, economic resilience and competition in the financial services sector and can play a significant part in fulfilling the Government's commitment to double the size of the mutual sector, but the flawed legislative framework within which they operate has hampered their development. AFM welcomes the Law Commission's proposals for reform which we feel are long overdue.

CHAPTER 3 – REGISTRATION AND RULES OF A FRIENDLY SOCIETY

Consultation Question 2.
We ask consultees whether a power to cancel the registration of an incorporated friendly society for wilfully violating a provision of the 1992 Act (after notice by the FCA to the friendly society) should be given to the FCA.

We note that this power exists under the 1974 Act in relation to registered friendly societies and agree that it is anomalous that there is no corresponding power in relation to incorporated societies. However, we would propose two modifications to the power, both in relation to incorporated societies under the 1992 Act and in relation to the existing power under the 1974 Act (if it is to be retained):

i. *the removal of the word "wilfully" – it is difficult to see how an omission to comply with the Act can be proved to be wilful other than by a failure to respond to a notice to rectify the omission, which is already a condition of exercising the power under the 1974 Act; and*

ii. *the insertion of a grace period before registration is cancelled – the 1974 Act provides for a minimum of two months' notice of cancellation, but after that period has expired it is immediate and can only be reversed by appeal to the High Court. The consequences of de-registration are draconian, so we propose a grace period of, say, a further two months in which the cancellation can be reversed by rectification of the violation(s) of the Act.*

Consultation Question 3.
We seek consultees' views on the following.

(1) Whether registered societies (that is, societies registered under the 1974 Act which are not friendly societies) should be required to re-register under the Co-operative and

[*] The Law Commission's consultation paper contains a glossary of defined terms. We have adopted the same definitions in our response.

Community Benefit Societies Act 2014 so as to benefit from a more modern legal framework.

(2) Whether the existing five-step process is fit for purpose as a way of converting into a society registered under the Co-operative and Community Benefit Societies Act 2014.
(3) Whether it would be reasonable to require registered societies to re-register under the Co-operative and Community Benefit Societies Act 2014 within three years.
(4) Whether the 1974 Act should be repealed.

In the event that consultees do not support the repeal of the 1974 Act, we invite consultees' views on what reform might address the challenges we have identified, such as that the public cannot determine which part of the Act applies to specially authorised societies?

Although few AFM members would be affected by this proposal, we would support it as a step toward the modernisation and clarification of this area of the law. We note that friendly societies and working men's clubs are very different organisations and fit uncomfortably within a single piece of legislation. We agree that significant work would be needed to bring the 1974 Act up-to-date and agree that public resources would be better deployed elsewhere.

We should point out that in some branch-based friendly societies, some branch assets are invested in "Investment Associations", which are registered under the 1974 Act as specially authorised societies. It is not clear that Co-operative and Community Benefit Societies are an appropriate vehicle for these Investment Associations to convert into, and we would therefore urge that provision is also made for them to be unwound without adverse tax or other consequences.

Consultation Question 4.

We ask consultees whether friendly societies registered under the 1974 Act should be expected to register and incorporate under the 1992 Act.

We support this proposal and note that some extremely small registered friendly societies have already successfully incorporated under the 1992 Act. However, we note the onerous burden that this would place on small, registered societies. Should the Law Commission proceed with this proposal, we would expect regulators to dedicate sufficient additional resource and guidance to aid these societies in reregistering to the 1992 Act.

We invite consultees' views on whether a three-year period is a reasonable timeframe within to require registered friendly societies to incorporate.

If it is decided to repeal the 1974 Act, we agree that three years is a reasonable period within which to require registered friendly societies to incorporate.

Consultation Question 5.

We ask consultees whether societies registered under the 1974 Act should be required to inform the FCA of a trustee's retirement or removal.

We agree that if the 1974 Act is retained the removal as well as the appointment of trustees should be recorded on the Mutuals Public Register.

Assuming that the 1974 Act is retained, we provisionally propose that:

(1) officers of a friendly society (both registered and incorporated) and other societies registered under the 1974 Act should be listed on the Mutuals Public Register; and

(2) a society should notify the registering authority (the FCA) of any changes concerning its officers within 14 days.

Do consultees agree?

We agree that the period for notifying changes in officers should be shortened to 14 days in conformity with company law. We also agree that residential addresses and full dates of birth should not appear on the public record.

It would be helpful for the Mutuals Public Register to list current and past directorships separately as on the Companies House Register of Companies. We would support this proposal whether or not the 1974 Act is retained.

Consultation Question 6.

We provisionally propose to remove the requirement for a special resolution before a friendly society can do any of the following:

(1) form subsidiaries;
(2) take part with others in forming bodies corporate to be jointly controlled by it; or
(3) otherwise acquire, or keep, control or joint control of bodies corporate.

Do consultees agree?

We agree with these proposals.

Consultation Question 7.

We provisionally propose that friendly societies should not be required to provide for forfeiture in their rules. Do consultees agree?

We agree with this proposal.

Consultation Question 8.

We provisionally propose that friendly societies should not be required to make provision specifically for arbitration-based dispute resolution. They would still be required to make provision for dispute resolution in their rules. Do consultees agree?

We agree that that friendly societies should not be required to make provision for arbitration-based dispute resolution but do not see the need for friendly societies to be required to provide for dispute resolution in their rules at all. Companies are not required to do so, and we cannot see any reason why friendly societies should be treated differently in this respect. In practice, rules on dispute resolution are seldom invoked and the dispute resolution processes that are generally available (including reference to the Financial Ombudsman Service) provide sufficient protection for members.

We invite consultees' views on whether there are any additional types of disputes, not currently covered by section 80(1) of the 1992 Act, that should be provided for in friendly societies' rules, or whether any of the listed grounds should be removed.

As above, we do not see a need to provide for the resolution of any type of dispute in societies' rules.

Consultation Question 9.
We provisionally propose that the following three new items should be added to the list of mandatory items which friendly societies' rules should address.

(1) Conflicts of interest. In particular, we provisionally propose that a friendly society's rules must address how the society proposes to address situations in which the interests of a committee member conflict or may conflict with the interests of the society, and situations in which a committee member has an interest in a proposed or existing transaction with the society.
(2) Delegation of committee of management powers. In particular, we provisionally propose that a friendly society's rules must make provision for the manner in which the committee of management may delegate their powers.
(3) Communication with members. In particular, we provisionally propose that a friendly society's rules must address the matter of how the society will communicate with its members.

Do consultees agree with each of these items?

We agree with these proposals.

Consultation Question 10.
We provisionally propose that the list of matters to be covered in the rules of friendly societies should be updated rather than introducing model rules. Do consultees agree?

We agree that there would be little advantage in having model rules and that it is preferable to update the list of matters to be covered.

Consultation Question 11.
We ask consultees whether the provisional proposals relating to the mandatory list of matters covered by friendly societies' rules should also apply to registered friendly societies under the 1974 Act.

There is already a mandatory list in schedule 2 to the 1974 Act, which we agree should be conformed with the 1992 Act list as far as is practicable if the 1974 Act is retained. However, some items in the 1974 Act list are specific to registered friendly societies (e.g. those relating to trustees).

We also ask consultees whether registered societies other than friendly societies require an updated list of mandatory provisions for their rules.

We express no view on this.

Consultation Question 12.
We invite consultees' views on whether they have any concerns regarding a friendly society's ability to alter or amend its rules (relevant to benefit terms or otherwise).

The current flexibility with which friendly societies can amend their rules (including benefit terms) is an important advantage of being a friendly society and a consequence of friendly societies being mutual organisations. We believe the current law should be retained as it has been used on a number of occasions for the benefit of members. Sufficient protections already exist under the Consumer Rights Act and under the regulators' rulebooks to safeguard against abuse.

In responding to this question, we should also draw to the Law Commission's attention that the process for registering rule changes is slow and cumbersome. The FCA is required to satisfy itself that rule amendments are in conformity with the 1992 Act (but not with other legislation) before registering the change, which can take several weeks. There is no equivalent for companies registering amendments to their articles of association and we are not aware of any problems arising as a result.

Consultation Question 13.

We invite consultees' views on whether the regulators' investigatory powers under the 1992 Act should be retained.

We believe the powers in sections 62-67 of the 1992 Act should be repealed as they duplicate powers under FSMA for societies carrying out regulated activities and are irrelevant to societies not carrying out regulated activities. If the 1974 Act is retained a consequential amendment to section 95A will be required to refer to the FSMA powers.

Consultation Question 14.

We ask consultees whether friendly societies not undertaking regulated activities should be required to re-register under the Co-operative and Community Benefit Societies Act 2014 or convert to a company, or whether they should continue to be provided for in the 1992 Act.

There have been several instances in recent years of small friendly societies that carry out regulated activities but are too small to do so sustainably, converting into unregulated discretionary benefit friendly societies. This has provided a useful, relatively quick and inexpensive exit route for such societies and there is sufficient commonality between friendly societies providing discretionary benefits and those undertaking regulated activities (some do both) for them to be governed by the same Act. In our view requiring societies seeking to convert to a discretionary benefit basis of operation to re-register under the CCBS Act would complicate their exit from regulated activities and discourage them from converting to provide discretionary benefits. This would be a negative development.

There is an important tax exemption for "other business", meaning business other than long-term insurance business, which is only available to friendly societies. The relevant legislation is at section 164 (registered societies) and section 165 (incorporated societies) of the Finance Act 2012. To force those friendly societies which do not undertake regulated activities to give up their friendly society status could directly result in such societies incurring a liability to tax where there is currently none. This clearly would be detrimental not only to those societies but also to the Government's broader aim of increasing the size of the mutual sector.

CHAPTER 4 – MEMBERS, MEETINGS AND MANAGEMENT

Consultation Question 15.

We ask consultees whether the 1974 Act and the 1992 Act should be updated to permit expressly the keeping of an electronic register of members' names and addresses.

We agree with the view expressed in paragraph 4.22 of the consultation paper that such an amendment, while it would do no harm, is not necessary.

At present, members or persons with an interest in a friendly society's funds may inspect its records or books. We ask consultees whether it is necessary to introduce a safeguard, so that the register of members may only be inspected with the permission of the FCA.

We believe that the current position whereby members have free access to other members' names and contact details is unsatisfactory in the current data privacy climate: in most societies anyone can become a member and thus gain access to other members' details. We would support an amendment on the lines of that already contained in the Building Societies Act 1986.

Consultation Question 16.
We ask consultees whether friendly societies should take an opt-in approach or an opt-out approach to electronic communication with their members.

We strongly favour an opt-out approach, such as applies under the Companies Act 2006.

Consultation Question 17.
We ask for consultees' views on whether reform is needed in respect of the duty to contact members to inform them of certain legally significant events such as a proposed transfer, and, if reform is needed, how this duty should be modified.

We agree that it is unsatisfactory for it to be at the discretion of regulators whether to exempt societies from the obligation to contact all members even though the society may no longer have a current address for the member or any other means of contacting them. We favour the "reasonable steps" approach suggested in paragraph 4.83.

Consultation Question 18.
We provisionally propose that the notice period for a meeting should expire with the date of the meeting, including where proxy voting is permitted. Do consultees agree?

We agree that the current position is confusing and agree with the proposed amendment.

Consultation Question 19.
We ask consultees whether proxy voting should be permitted at meetings of delegates voting on special resolutions.

The opportunity for delegates to meet and debate questions put to them at general meetings is an important feature of those societies which use a delegate voting system. We believe this would be undermined by allowing delegates to appoint proxies to vote for them without the delegate himself or herself being able to listen to or participate in the debate. We would therefore oppose this proposal.

Consultation Question 20.
We ask consultees whether there is a need to introduce additional rules or requirements in relation to the power of the committee of management to co-opt individuals to the committee, and if so, what rules or requirements should be introduced.

Most friendly societies already provide in their rules that a co-opted director must retire at the next AGM and submit to re-election by members if they wish to continue in office. We think it sensible to make this a statutory requirement. We do not think that compulsory advertising before co-opting a director would be appropriate: it could be beyond the means of some small societies and would not be effective in preventing nepotism as there would be no requirement to appoint a person who came forward in response to the advertisement.

Assuming that the prohibition against co-opting directors over the age of 70 is repealed, we see no need to change any of the other restrictions on the co-option of directors.

Consultation Question 21.
We ask consultees whether members of an incorporated friendly society's committee of management should be subject to the same general duties as directors of a company.

We agree that the same general duties should apply to directors of a friendly society as to directors of a company. We would support the repeal of the current cross-references to the duties of directors under the Building Societies Act 1986.

We invite consultees' views on whether there are any general duties applying to company directors which should be different for members of a friendly society's committee of management.

We see no reason not to apply the full set of Companies Act directors' duties to friendly society directors.

Consultation Question 22.
We invite consultees' views on the need for reform of the duties of officers and trustees of societies registered under the 1974 Act.

We would support the extension of codified directors' duties to members of the committees of management of registered friendly societies (including during the transitional period if the 1974 Act is eventually repealed). We see the abolition of the need for trustees as a clear advantage of incorporation and would support the maintenance of the status quo for trustees' common law and fiduciary duties during the transitional period.

Consultation Question 23.
We provisionally propose that friendly society law should follow company law so that the consequences of a breach of duty by a committee member or officer are those provided by common law or equity. Do consultees agree?

We agree with this proposal.

Consultation Question 24.
We provisionally propose that the committee members and officers of an incorporated friendly society should be disqualified for repeated breaches of the friendly society legislation. Do consultees agree?

We agree with this proposal.

We ask consultees whether the rules of registered societies and branches on the removal of officers (including committee members and trustees) are fit for purpose.

Registered friendly societies are not bodies corporate, but we believe it would be beneficial for the provisions of the Company Directors Disqualification Act 1968 to be extended to them if the 1974 Act is not repealed.

Consultation Question 25.
We seek consultees' views on whether reform is needed in respect of the dealings of a friendly society with committee members, especially in relation to non-contractual payments for loss of office.

We believe that payments of compensation for loss of office should be a matter for the directors of a friendly society to decide (as is the case for companies under the Companies Act 2006) and that member consent should not be necessary. This is particularly important in relation to executive directors where a pay-off might facilitate the early departure of an executive who might have a long notice period or who might otherwise place obstacles in the way of their departure. The need to obtain member approval by special resolution can also present an obstacle in a transfer of engagements or amalgamation and we would support the repeal of section 92 as well as paragraph 8 of schedule 11 to the 1992 Act.

We ask consultees whether member affirmation (approval by members) should continue to be a requirement for payments to departing or retiring committee members.

We believe these requirements should be repealed – please see our response above.

Consultation Question 26.

We ask consultees whether the only age-based eligibility criterion should be that committee members must be aged 18 or over. Friendly societies would retain the right to make additional rules pertaining to eligibility in their rules.

We strongly support the repeal of the "normal retirement age" provisions in schedule 11 to the 1992 Act, which offend against the spirit of the Equality Act 2010, but have been preserved as they are a mandatory "requirement of an enactment" under paragraph 1 of schedule 22 of that Act.

We question whether societies would (or should) still have the right to impose age restrictions in their rules since the "requirement of an enactment" on which that right currently depends would have been repealed and any upper age limit would therefore be unlawful under the Equality Act.

We agree that the current minimum age of 18 should apply to directors, but question whether it should prevent 16-year-olds from voting in the elections of directors (particularly in view of the mooted reduction in voting age in general and council elections).

We invite consultees' views on whether there are other eligibility criteria that should apply to potential committee members, including executive and non-executive committee members

We agree that the existing fitness and propriety tests are adequate for friendly societies carrying our regulated activities and do not believe any such tests are necessary for societies which do not carry out regulated activities. We therefore do not see the need for other eligibility criteria.

Consultation Question 27.

We provisionally propose that an incorporated friendly society's committee of management and its committee members should be referred to as its board of directors, and its directors. Do consultees agree?

We agree with this proposal.

We invite consultees' views on whether the terminology used to describe the committee of management and its members should be updated for societies registered under the 1974 Act.

We note the distinction between bodies corporate and unincorporated associations and agree that calling the governing body of registered societies directors may imply that they are bodies corporate. Nevertheless, we believe greater confusion would be caused by using different terminology for

registered and incorporated societies as the provisions relating to the governance of both types of society are all contained in the 1992 Act.

CHAPTER 5: ACCOUNTS, AUDITS, AND FRIENDLY SOCIETIES THAT ARE PUBLIC INTEREST ENTITIES

Consultation Question 28.
We provisionally propose that friendly societies should be permitted to elect their financial year-end date, subject to certain limitations regarding the time period that may elapse between accounting periods, and subject to any necessary transitional arrangements. Do consultees agree?

We strongly support this proposal. We note that the common year end for all friendly societies makes it easier to compare the financial information that must be provided by both societies participating in a transfer or amalgamation in a Schedule 15 statement, but different year-ends are commonly encountered in company acquisitions and mergers and adjustments can readily be made. Likewise, we assume that the tax rules which apply to companies that change their year-end will be extended to friendly societies. On that basis, we do not foresee this change creating any difficulties which cannot be overcome.

Consultation Question 29.
We provisionally propose the following:
(1) A friendly society may not specify a new year-end date in its rules if the change would cause its current financial year to extend beyond 18 months.
(2) A friendly society may have a reporting period of less than 12 months after changing its financial year-end date.

Do consultees agree?

We support this alignment with company law.

Consultation Question 30.
We ask consultees whether the regulators should be empowered to require electronic-only filing of documents.

We do not believe this proposal would cause difficulties for any AFM member societies, although we would imagine some very small non-member societies might find it difficult to comply.

If the proposal is adopted, it would be helpful if access to the FCA's Mutuals Portal could be extended to professional advisers.

Consultation Question 31.
We invite consultees' views on the following:
(1) Whether there should be a tiered approach to audit for small friendly societies not carrying out regulated insurance activities.
(2) If a tiered approach is required, what thresholds should be set to qualify as a small friendly society.

We support a tiered approach and would recommend adopting the same limits as under the Companies Act. We are not aware of any friendly societies carrying on only non-regulated activities that would not qualify as small (or micro) companies.

Consultation Question 32.
We provisionally propose that for small friendly societies who do not undertake regulated activities:

(1) Any person appointed to audit the accounts should be a qualified auditor.
(2) An incorporated friendly society not authorised to carry on any regulated activities should be able to opt out of the duty to audit accounts when it is below a certain size.
(3) That threshold should be capable of revision by statutory instrument.
(4) The registering authority or members should be able to insist upon an audit.

Assuming that a satisfactory approach can be found to determining when a friendly society is "small", do consultees agree with the provisional proposals (1) to (4) set out above?

We support this proposal. Please see above for our views on the threshold for "small" friendly societies.

With regard to the right of members to insist on an audit, we suggest that this right should be exercisable only if a resolution to that effect is passed at a general meeting of members and we note that the matters to be included in the rules of an incorporated friendly society under paragraph 5 of schedule 3 to the 1992 Act include the right to requisition meetings and move resolutions at meetings.

Consultation Question 33.
We provisionally propose that the committee of management should be permitted to appoint auditors and determine their remuneration. Do consultees agree?

We support this proposal.

Consultation Question 34.
We invite consultees' views on whether the statutory cap on remuneration rates for auditors under the 1974 Act should be removed.

We would support the removal of the cap to align registered friendly societies with incorporated societies.

Consultation Question 35.
Assuming that the 1974 Act is retained, we provisionally propose the following for societies and branches registered under the 1974 Act, which are not subject to any other statutory duty in respect of audit.
(1) Any person appointed to audit the accounts should be a qualified auditor.
(2) A registered society should be able to opt out of the duty to audit accounts when the registered society is below a certain size.
(3) The appropriate regulator, the registering authority, or members should be able to insist upon an audit.

Do consultees agree?

We express no view on this.

We invite consultees' views on whether the thresholds set for societies registered under the 1974 Act to be exempt from the requirement to appoint auditors should be updated, and if so, what the thresholds should be.

We express no view on this.

Consultation Question 36.
We invite consultees' views on whether charitable registered societies should continue to be exempt charities and if so, whether any reform in respect of their audit requirement is required.

We express no view on this.

Consultation Question 37.
We are provisionally of the view that the Friendly Societies (General Charge and Fees) (Amendment) Regulations 1996/3094 have no real effect and ought to be revoked. Do consultees agree?

We agree with this proposal.

Consultation Question 38.
What benefits do PIE audits offer to friendly societies?

Having spoken with audit firms who perform PIE audits for friendly societies, we understand that these audits require a greater degree of expertise. For example, in reviewing a society's tax reporting, in a PIE audit, a team of tax specialists may be called upon to verify information. We also understand that higher levels of senior sign off are required for PIE audit. Although these measures may convey a benefit of ensuring a high quality of audit, (but no more than is conveyed by the appointment of a suitably qualified and regulated auditor), they also come at significant costs, which for friendly societies, far outweigh the benefits.

We note that as friendly societies carrying out regulated activities are closely scrutinised by both PRA and FCA, the additional requirements of PIE audits are duplicative and add a disproportionately large burden.

Consultation Question 39.
We invite consultees to provide evidence of any disproportionate burdens associated with PIE audits and to share their views on any steps that could be taken to avoid or reduce these burdens so that a more proportionate approach could be developed.

We cite figures from an extensive data gathering exercise performed for AFM's Corporate Governance Report 2022[†]. Across 19 member firms within the scope of PIE whose accounts were reviewed, the average cost of an audit in 2021 was £187,200. This compares with an average for those outside the PIE regime of £12,000. Anecdotally, we know that audit costs have continued to increase in the years since.

We also understand that there is a significant lack of competition in the audit market for friendly societies in scope of PIE and many of our members struggle to meet re-tendering requirements due to a lack of competitive bids. An AFM member has commented that when going out to tender for auditors they had interest from only three firms who were willing to tender - larger audit firms rejected the society because it was too small and small audit firms cannot undertake PIE audits or do not have sufficient skilled resource, leaving only a handful of firms willing to tender. We believe this experience is common among friendly societies (and other small mutual insurers).

As to our views on how to reduce these burdens, we refer to the report "Audit for Growth: Proportionality in Audit and Reporting" published jointly by AFM, the Building Societies Association,

[†] https://financialmutuals.org/wp-content/uploads/2022/10/AFM-Report-on-Corporate-Governance-2022.pdf

the Quoted Companies Alliance and UK Finance in April 2025[‡] which calls for a simpler, size-based threshold for PIE status to capture truly large and systemically important entities. We have shared the paper with DBT officials and asked that they consider our proposals as they draft the upcoming Audit Reform and Corporate Governance bill.

CHAPTER 6: DEMUTUALISATION AND ASSET PROTECTION

Consultation Question 40.

We ask the following questions on asset locks.
(1) What is the need for and desirability of introducing asset locks for friendly societies and what are potential benefits and disadvantages of asset locking for friendly societies?
(2) If an asset lock were to be introduced, what might the implications be for friendly societies, especially friendly societies carrying on with-profits business?
(3) For consultee friendly societies who support the introduction of an asset lock, how would the asset lock be defined in the context of their business?
(4) Should an asset lock be introduced for societies other than friendly societies that are registered under the 1974 Act?
(5) What challenges have we not considered in our analysis that would affect friendly societies' ability to implement an asset lock?

Friendly societies already have the ability to amend their rules to include an asset lock but are constrained from doing so by the tax implications.

With regard to with-profit funds, the starting position is generally understood to be that any surplus in a with-profits fund should be distributed ultimately to with-profits policyholders. In a mutual where with-profits policies are written alongside other policies in a single "common fund", the position is more complicated, and holders of non-profit policies may have an interest in any common fund surplus alongside the with-profits policyholders – this was the subject of lengthy discussions between the sector and regulators during "Project Chrysalis", which is referenced in paragraph 4.43 of the Law Commission paper. The position will depend on a multiplicity of different considerations and will vary from mutual to mutual. Questions of the ultimate entitlements of different categories of policyholder do not generally arise while a friendly society is conducting its day-to-day business but would need to be addressed if the society were entering into a major restructuring, including on a transfer or demutualisation, or were being wound up. These questions would also be triggered by the introduction of an asset lock, although, as indicated above, the outcome is likely to differ from one society to another.

We accept that amendments to tax law and to the regulatory treatment of a mutual insurer's with-profits fund are beyond the scope of the Law Commission's current review but wish to make clear that we could only support any changes in the law if they preserved the current tax treatment not only of friendly societies, but also of other types of mutual societies, engaged in mutual trading. However, we recognise that some AFM member societies may have differing views on this question.

Consultation Question 41.

We invite consultees' views on what other measures could be introduced to protect friendly societies against demutualisation.

[‡] https://financialmutuals.org/wp-content/uploads/2025/04/Audit-for-Growth-Proportionality-in-Audit-and-Reporting.pdf

Friendly societies are already able to impose a waiting period before new members can vote on a resolution to demutualise (or on resolutions at general meetings, generally) and can direct that new members must donate any windfall payments they might receive on a demutualisation to charity (while recognising that this latter measure may also have tax implications).

A further defence against demutualisation available to friendly societies is to require a minimum turnout on any vote to demutualise. Liverpool Victoria amended its rules while it was still a friendly society to require a minimum turnout of 50% of its membership on any vote to demutualise and the rule was entrenched in the rules by a similar requirement for any vote to amend the 50% turnout rule. This rule, which was carried over into Liverpool Victoria's articles of association when it converted into a company could have been overturned by a Companies Act scheme of arrangement but a proposal to do this was defeated when Liverpool Victoria proposed to demutualise in 2021.

We believe these measures are sufficient but again recognise that some AFM member societies may have differing views on this question.

CHAPTER 7: AMALGAMATION AND CONVERSION OF FRIENDLY SOCIETIES

Consultation Question 42.

We invite consultees' views on whether there is a need for a simplified process for the following.
(1) Amalgamation of two or more registered branches of the same friendly society.
(2) Amalgamation of two or more (registered or incorporated) friendly societies that carry on regulated insurance business.
(3) Amalgamation of two or more (registered or incorporated) friendly societies that provide only discretionary benefits to their members and that are not authorised to carry on regulated insurance activities.
(4) Amalgamation of two or more registered societies (other than friendly societies).

We note that amalgamations, as distinct from transfers of engagements, have not occurred recently between friendly societies. Nevertheless, we agree that amalgamations may occur more frequently in future and support amendments to the 1992 Act to simplify the process. Since the process is very similar to that for transfers of engagements, we believe the same simplifications and 'fast track' mechanisms should apply as in our response to Consultation Questions 47-53 below. We believe that keeping the amalgamation process very similar to the transfer process, with which both regulators and practitioners are familiar, will increase the likelihood of the amalgamation route being used in future, which we believe will be beneficial to the sector.

We express no views on amalgamations of registered societies other than friendly societies under the 1974 Act, other than to note that the current process forms a useful basis for a fast-track process for amalgamations of friendly societies.

Consultation Question 43.

We invite consultees' views on whether a special resolution and member statement should be required where two or more registered branches or distinct friendly societies are proposing an amalgamation with the support of the relevant actuaries.

We express no views on this question other than to note that branches of registered societies do not meet the threshold conditions for the conduct of insurance business under FSMA and are therefore unlikely to have actuaries to opine on their amalgamation.

Consultation Question 44.

We invite consultees' views on what information a member statement regarding conversion of a friendly society into a company should contain.

We would support a requirement for the member statement to contain an explanation of the implications for members of the conversion (e.g. the tax implications, the fact that the company will be able to adopt wider powers than those available to a friendly society and that it will become possible for the company to apply to court to alter members' rights by a scheme of arrangement). Where the conversion is to a company limited by shares, it should clearly be explained that the conversion is a demutualisation and where a distribution of part of the funds of the society is proposed under section 91(3) of the 1992 Act (whether the conversion is to a company limited by shares or by guarantee) an actuarial report should be included.

Since the circumstances of the conversion may vary widely, we would also support the 'appropriate authority' being given power to call for such additional information to be included as it sees fit, similar to the power under paragraph 2(1)(e) of schedule 15 to the 1992 Act for transfers and amalgamations.

Consultation Question 45.

We ask consultees whether a friendly society that converts into a company should be permitted to pursue a range of objects that is more extensive than its objects as a friendly society. Alternatively, should the existing limitations on the objects that can be pursued be retained?

The judgement in Blythe v Birtley appears to apply only at the time of conversion and to leave a company that has converted from being a friendly society free to alter its objects subsequently – we note that Royal London, which converted from a friendly society into a company in 1908 has amended its objects several times since. We therefore see little point in limiting a society's ability to extend its objects immediately on conversion.

Consultation Question 46.

We provisionally propose that the law should be clarified in the following ways.
(1) Conversion means that a society changes its legal structure but remains the same legal entity.
(2) Conversion does not involve a deemed disposal of assets and resale to the newly created company.

We agree with these proposals.

CHAPTER 8: TRANSFERS OF BUSINESS ENGAGEMENTS

Consultation Question 47.

We invite consultees' views on whether a special resolution should be required for compensation for loss of office caused by a transfer, amalgamation or conversion, or whether there might be circumstances where a special resolution should not be required, and what those circumstances might be.

We believe that section 92 of the 1992 Act should be repealed in its entirety. The arrangements for any compensation for loss of office will form part (and almost invariably, a very small part) of a wider set of proposals for a transfer, amalgamation or conversion. We can see no justification for singling them out for a separate special resolution especially as members may hold views about officer remuneration that are out of sync with commercial reality and may therefore vote against perfectly reasonable compensation proposals and put the whole transfer in jeopardy. We believe participants

in transfers may have withheld making reasonable proposals to compensate officers for loss of office for fear of exposing them to that risk.

We do support the disclosure of compensation proposals as part of the schedule 15 statement (as currently required) but believe members should be asked to vote on the transfer proposals as a whole, taking the compensation proposals into account alongside other aspects of the proposed transaction.

Please also see our comments on Consultation Question 25 – paragraph 8 of schedule 11 would also apply on a transfer (albeit only requiring an ordinary resolution rather than a special resolution) and should also be repealed.

Consultation Question 48.

We invite consultees' views on whether reform of the "successor factor" preclusion ground is necessary and, if so, what the appropriate test should be.

At present paragraph 8 of schedule 15 precludes the appropriate authority from confirming a transfer where "there is a substantial risk that the successor society or the person taking the transfer will not be able lawfully to carry out the engagements to be transferred to it". Under paragraph 8(3) the appropriate authority "may [but, we note, is not obliged to] have regard to any requirements of the law of a country or territory outside the United Kingdom which appear to the appropriate authority to be relevant".

If a policyholder has moved to a jurisdiction where it is unlawful for a UK insurer to insure the life of a person who has become resident in that jurisdiction (or to service a policy taken out by such a person while residing in the UK) there will be not just a "substantial risk", but it will clearly not be lawful under the laws of that jurisdiction for the UK insurer to provide cover (or service the policy). This will be the case even if there is only one policyholder who has moved to that jurisdiction and the resulting unlawfulness is de minimis in the context of the transaction as a whole – the test of whether the risk is substantial or not applies to the unlawfulness of the single policy.

It is inevitable that some policyholders will have moved abroad after taking out a friendly society policy and many are likely to have moved to jurisdictions where it may be unlawful for a UK insurer to conduct insurance business in the foreign jurisdiction – this is particularly likely to be the case for holders of child trust fund policies, but can also apply to other types of policy.

In these cases, the appropriate authority will be precluded from confirming the transfer unless it chooses to disregard the foreign laws under paragraph 8(3), which in practice the PRA has proved unwilling to do. This is the case even if the transferee itself already has policyholders who have moved to the relevant jurisdiction. In practice the PRA seems to have been concerned particularly with policyholders who have moved to EU member states and have only investigated compliance with paragraph 8 in detail since the UK left the EU; however, paragraph 8(3) is not confined to the EU and applies to all jurisdictions world-wide. The (so far) theoretical case of a policyholder who has moved a country subject to sanctions (e.g. to Russia) or who is an individual personally subject to sanctions would therefore trigger preclusion of a transfer.

If investigated rigorously, the costs of even investigating whether a UK-based insurer can lawfully provide cover in each jurisdiction to which a transferor's policyholders could have moved are potentially prohibitive.

We believe that the "substantial risk" test is misplaced – it would make some sense for the appropriate authority to be precluded from confirming the transfer if the risk of the transaction as a whole being unlawful was substantial or if the there was a risk that a substantial part of the transaction was unlawful, but not just a substantial risk that a small part of the transaction is unlawful.

However, we do question whether this preclusion ground is needed at all. The greatest real risk of illegality is if the transferee does not have the necessary regulatory authorisation and permissions to carry on the transferred business, but this is already covered under paragraph 11 of schedule 15. Alternatively, if paragraph 8 is retained, hopefully in a modified form, we would question the need for paragraph 11.

This consultation question does prompt a wider question of whether the preclusion grounds are necessary at all – there is no equivalent for company portfolio transfers under Part VII of FSMA, where the court has a much freer range of discretion in deciding whether or not to sanction a proposed transfer. On balance we consider it helpful that the friendly society regime works on the presupposition that a transfer will be confirmed by the appropriate authority unless certain preclusion grounds apply. However, satisfying the regulators that the current preclusion grounds do not apply is an exhaustive "tick-box" exercise, which we would like to see simplified in order to speed up the process of a transfer and make it less expensive. For "fast-track" transfers by smaller societies, we would prefer the preclusion grounds to be removed altogether and the appropriate authority to be given a similar discretion to that enjoyed by the courts in a Part VII transfer with the presumption that the transfer should be confirmed unless the appropriate authority believes there are grounds for not confirming it.

Consultation Question 49.

Do consultees agree that policies stemming from contracts effected after a transferor friendly society has applied for confirmation of a transfer should not be included in that transfer?

We disagree with this proposal. Although it is not always the case, the board of a transferor society will normally wish to keep the society open to new business until the effective date of the transfer. This will be so that the society remains viable even if, for whatever reason, the appropriate authority declines to confirm the transfer. It will usually also be in the transferee society's interest that the transferor continues to write new business up to the date of the transfer.

The volume of new business written after the date of applying for confirmation of the transfer (usually immediately after the special resolution to approve the transfer is passed) will be small in comparison to the pre-application volume and it will not be viable for the transferor society to continue in existence to conduct just that business and it would also frustrate the dissolution of the transferor society on completion of the transfer under section 86(5)(b) of the 1992 Act. The practical effect of excluding policies written after applying to confirm a transfer is therefore to force transferor friendly society to close to new business, which for the reasons stated above is unlikely to be in the best interests of either the transferor or the transferee.

It might be objected that holders of policies entered into after the special resolution to approve the transfer has been passed will not have had an opportunity to vote on the transfer. However, the transfer will at that stage be in the public domain and they will have taken out their policies in the knowledge (constructive or actual) of the proposed transfer. The risk of customer harm is therefore negligible.

We ask consultees whether a distinction should be drawn between long-term and general business in respect of contracts entered into before application for confirmation of the transfer.

We see no justification for a distinction between general and long-term business and would therefore support the repeal of paragraph 15(2)(b) of schedule 15 to bring societies conducting general business into line with those conducting long-term business.

Consultation Question 50.
We provisionally propose that a transferee friendly society's committee of management should be permitted to apply to the appropriate authority for permission to proceed with a transfer with only a resolution by the committee of management, regardless of whether the proposed transferor is a friendly society or another entity. Do consultees agree?

We agree with this proposal. The requirement to compile a member statement, agree its contents with regulators, print it and distribute it to members is a significant extra cost, which places friendly societies at a disadvantage to Companies Act companies when bidding for transfers of insurance business. We therefore think it appropriate that a member vote should only be required where the transfer is of a significantly large book of business such as will have a material impact on the business of the transferee society.

Consultation Question 51.
We ask consultees whether a member statement should be made available to the members of a transferee friendly society, regardless of whether the proposed transferor is a friendly society or another entity.

Where a member vote on a transfer is required, it makes sense that members should receive a member statement containing the necessary information on which to base their decision of how to vote. However, please see our response to Consultation Question 50 on the expense (and consequent competitive disadvantage) friendly societies face when required to hold a member vote on an inward transfer.

Consultation Question 52.
We invite consultees' views on:
(1) Whether there is a need for a simplified process for transfers by friendly societies and, if so, what such a process would entail.
(2) If a simplified process is required, what factors might be relevant to determine when such a simplified process might be used.
(3) Whether the current process under Part 8 of the 1992 Act should be retained and what, if any, reform is needed to improve the efficacy of the process.

We strongly support the introduction of a simplified process. We acknowledge that regulators have made great efforts to facilitate transfers by granting dispensations where the current legislation allows them to do so, but the very process of applying for a dispensation (which the regulators treat as similar to a waiver application under section 138A of FSMA) is a cumbersome and often lengthy process.

Dispensations are commonly sought (and usually granted, albeit after the cumbersome and lengthy process) from the requirement for the transferee's members to approve a transfer by special resolution (under section 86(3)(b)) and the need for an independent actuary's report (under section 88(2)). Under section 86(3)(b) the default position is that a special resolution of members will be required unless the appropriate authority agrees otherwise. In principle, it would be helpful if this

were reversed, i.e. if the default position was that the transferee society did not need to obtain a members' special resolution and could approve the transfer by board resolution instead, with a right for the regulator to require a special resolution of members in appropriate cases. However, this is already the position under section 88(2) where no independent actuary's report is required unless the appropriate authority directs that one should be obtained. In practice the regulators require societies to go through the same cumbersome and lengthy process under section 88(2) as under section 86(3)(b). It would be helpful if the law could be clarified to simplify both procedures.

We believe a simpler process is still needed for transfers by small societies: even where all available dispensations have been granted, a transfer remains a disproportionately complex, expensive and time-intensive process for smaller societies. We are aware of cases where societies have been forced to dissolve because they could not afford to go through a transfer process, resulting in worse outcomes for members.

We note that until it was amended by the 1992 Act, the 1974 Act allowed friendly societies to transfer their engagements by a simple special resolution of members. However, we recognise that in a modern regulatory environment the consent of the appropriate authority should also be necessary before such a transfer takes effect although we would question the need for rigorous preclusion grounds as these are not set out in statute for Part VII transfers, We also accept that there should be a simplified member statement, which should be approved by the appropriate regulator before issue and should be sent to members before they vote on the special resolution.

We would support the simplified process being available to all transferor societies that fall below the thresholds for Solvency UK.

Consultation Question 53.

We invite consultees' views on:
(1) The potential benefits and disadvantages of agreeing to a timeline for a proposed transfer with the appropriate authority.
(2) Challenges that may make it difficult to propose and adhere to an agreed upon timeline in practice.
(3) The consequences for either party of not meeting any deadlines agreed as part of the timeline

We do not believe that a statutory requirement to agree a timeline with regulators would be helpful or would solve the current problems with transfers. In practice, timetables are invariably agreed informally with regulators as part of the transfer process and this is helpful, but slippage often occurs, and it is not clear what advantage would accrue from making timetables statutory or what sanctions could realistically be imposed should the timetables not be followed. We believe simplifying the transfer process will alleviate many of the concerns about timetabling.

Consultation Question 54.

We ask consultees whether the power given to the appropriate authority under the 1992 Act to effect a transfer of engagements under certain circumstances should be retained.
We invite consultees' views on the powers the appropriate authority should have to transfer the engagements of a friendly society, and under what circumstances such powers should be exercisable

We agree with the stakeholder concerns about section 90 expressed in the Consultation Paper and would support its repeal. An underlying principle of friendly society transfers is that the transferor society's members should have consented to the transfer and section 90 breaches that principle. We endorse the view expressed by certain stakeholders that section 90 was originally drafted in contemplation of a friendly society transferee and preserves an element of consent at least on the

part of the transferee. We agree with the Law Commission's observation that the section could also be made to work for a non-friendly society transferee, but this would run counter to the original intent of the section and, furthermore, could remove any element of member consent from the transaction altogether. We would therefore support its repeal, rather than any attempt to clarify its provisions.

CHAPTER 9: ACCESS TO CAPITAL

Consultation Question 55.

We invite consultees' views on whether there is a demand for a mechanism that would enable friendly societies to raise equity capital.

There is clear demand from some societies for the ability to raise equity capital, although caution among others about the risk to societies' current tax status.

We invite consultee friendly societies to provide a broad description of what external capital might help them do that they cannot do currently.

As a trade association we will leave it to individual member societies to respond to this question.

What else would consultees like to bring to our attention in respect of friendly societies' ability to raise capital?

The eventually abortive discussions between the sector and HM Treasury on implementing the Mutual Deferred Shares Act 2015 focused on raising large amounts of publicly quoted Tier 1 capital under Solvency II. While this may still be relevant for some societies, we also see potential value in allowing societies to raise smaller amounts of capital perhaps through private placements.

It is essential for the survival of the sector that any mechanism for the raising of capital should preserve the current tax status of friendly societies.

CHAPTER 10: LIMITATIONS ON BUSINESS ACTIVITIES

Consultation Question 56.

We provisionally propose to remove limitations on the groups for which friendly societies can write group business and to repeal the regulations made under section 11(7) of the 1992 Act. Do consultees agree?

We see no justification for the current limitations and strongly support their removal.

Consultation Question 57.

We provisionally propose that friendly societies should be permitted to offer reinsurance without the condition that it be limited to transactions with other friendly societies. Do consultees agree?

We agree with this recommendation. The principal areas in which the current restriction causes a problem are in relation to Part VII transfers from insurance companies and in relation to risks underwritten by subsidiaries but would support a wider relaxation beyond just these areas. We note that under section 5 of the 1992 Act a friendly society must have a primary purpose of providing the benefits listed in schedule 2 to the Act for its members but can combine that purpose with various other ancillary activities including reinsurance – we therefore do not consider that there is any danger in widening the scope for reinsurance to be a principal purpose of a friendly society.

We invite consultees' views on whether the condition that a friendly society can only reinsure the class of business that it (as the reinsurer friendly society) carries on should be retained.

We would welcome this proposal in principle but agree with the observation in paragraph 10.47 of the consultation paper that a variation to a friendly society's Part 4A permissions is likely to be needed before the society could reinsure a book of business in a class that it is not currently conducting. However, the removal of the restriction would still be helpful in the circumstances discussed in paragraph 10.46.

Consultation Question 58.
We provisionally propose that an incorporated friendly society should be permitted to invest its funds in any manner authorised by its rules. Do consultees agree?

We strongly support this proposal.

Consultation Question 59.
We provisionally propose that there should not be a requirement for two guarantors for a loan to a member of a friendly society and that qualifying members need only to have been a member of the friendly society for three months. Friendly societies would be free to set their own terms for the loans, subject to all other legal and regulatory rules. Do consultees agree?

We agree with this proposal.

We provisionally propose that the limit on the amount, namely that the amount loaned to members may only be up to half of the value of their life policy, should be retained. Do consultees agree?

We would prefer a higher limit of 75%.

Consultation Question 60.
We seek consultees' views on whether there are financial thresholds set out in the 1992 Act not discussed in this consultation paper that require revision and amendment.

All financial limits invariably become out-of-date through inflation, and we would welcome the power being given to HM Treasury to revise them without the need for primary legislation.

We seek consultees' views on whether there is an interest in loans to members out of a separate fund and whether the amounts as set out in the 1992 Act require revision and amendment.

We will leave it to individual AFM members to respond to this question.

Consultation Question 61.
We invite consultees' views on the circumstances in which the regulator(s) should be able to intervene in the business activities of a subsidiary.

We can see no need for the regulators to have this power at all and believe that it is contrary to the Government's declared aim of doubling the size of the mutual sector. The regulators have no equivalent statutory power in relation to insurers constituted as companies and the power therefore discriminates against friendly societies. If it is nevertheless to be retained, it should only be exercisable when the appropriate authority has reason to believe the activities of the subsidiaries are harmful to the interests of the society's members- however mere disproportionality in size or scale of operations should not be a trigger for regulatory action.

Consultation Question 62.
We provisionally conclude that it is possible to accommodate *takaful* products within the mutual framework of a friendly society and that the existing legislation does not appear to pose any specific challenges to Islamic finance. Do consultees agree?

We agree with this conclusion.

CHAPTER 11: EXIT FROM THE MARKET

Consultation Question 63.
We invite consultees' views on whether existing mechanisms for solvent exit under the 1974 Act and 1992 Act are sufficient or whether reform is needed.

If the 1974 Act is to be retained it would be helpful if the process for a solvent dissolution under the 1974 Act could be conformed with that under the 1992 Act – there does not appear to be a clear reason why they differ. At present under the 1974 Act, the FCA must advertise the registration of the Instrument of Dissolution (which may not happen immediately) and there is then a three-month waiting period in which members can apply to court to have the dissolution set aside. If no application is made, the dissolution is backdated to the date of the advertisement. The trustees would not be able to make a distribution of any surplus to those entitled to it under the rules until the three-month period has elapsed as doing so would effectively pre-empt the court's power to set the dissolution aside. The need for the three-month period is not clear as the Instrument is stated to be binding on all members (s94(6)). Also, the status of the rules of the society is not clear during this waiting period. The Instrument is to be registered "in like manner to an amendment of the rules" but the Act does not state that the rules are suspended, so it would appear necessary to file an amendment of the rules at the same time, terminating members' rights to claim under their policies of insurance with the society and freezing their obligation to pay premiums.

Consultation Question 64.
Assuming that the 1974 Act is retained, we provisionally propose that a creditor of a registered society should have the right to petition the court to wind up an insolvent society. Do consultees agree?

We agree with this proposal.

We invite consultees' views on whether members of a society registered under that Act should be permitted to petition the court for a winding up of the society, and if so under what circumstances should this be possible.

We see no reason not to align the 1974 Act with the 1992 Act in this regard.

We invite consultees' views on whether it is necessary to clarify that section 95 of the 1974 Act applies only to registered societies other than registered friendly societies.

The absence of any indication within the 1974 Act that section 95 applies only to registered societies other than friendly societies is very confusing and clarification would be helpful.

Consultation Question 65.
We seek consultees' views on whether administration should be available to friendly societies.

We agree that it would be helpful for administration to be available to friendly societies.

Consultation Question 66.
We invite consultees' views on the desirability of greater alignment between the position of regulated friendly societies and other insurers in respect of insolvency.

No insolvent liquidation of a friendly society carrying on insurance business has occurred in recent years and if one were to occur, insolvency practitioners would not be familiar with the process which will impose extra costs on the already insolvent society. We would therefore support aligning the process for friendly societies with that for companies.

CHAPTER 12: GENERAL QUESTIONS

Consultation Question 67.
How would law reform affect you? For example:
(1) Could law reform save you money, or would it cost you money (and would it be worth it for a more modern legal framework)? If it would cost you money, what is the time horizon of such costs, for example, would it be short term disruptive costs for a longer term saving, or ongoing costs?
(2) Would law reform help your business or are you worried about change?

Please provide a general answer here. In addition, when answering other questions, please tell us, where possible, how that specific reform might affect you and provide specific examples or figures where possible.

We will leave it to individual AFM members to respond to this question with detailed figures specific to their firms. From AFM's perspective as a trade body, we support the modernising effect these reforms will have on friendly society legislation, the efficiencies from which will certainly result in cumulative cost savings among our members. We also feel that the reforms will go some way to address barriers to growth and codify a proportionate approach to regulation. We are certain that the proposed reforms will greatly strengthen the mutual insurance sector and contribute significantly to its growth helping to achieve the Government's manifesto pledge to double the size of mutual sector.

Consultation Question 68.
Are there any factors unique to Wales that we should consider?

Section 105A of the 1992 Act exempts friendly societies from Stamp Duty Land Tax, but SDLT has been replaced in Wales by the Land Transaction Tax levied by the devolved Welsh Government. While recognising that this would be a matter for the Welsh Government, we believe section 105A should be extended to cover LTT. Otherwise, we are not aware of any factors unique to Wales.

Consultation Question 69.
Are there any factors unique to Scotland that we should consider?

Section 105A of the 1992 Act exempts friendly societies from Stamp Duty Land Tax, but SDLT has been replaced in Scotland by the Land and Buildings Transaction Tax levied by the devolved Scottish Government. While recognising that would be a matter for the Scottish Government, we believe section 105A should be extended to cover LBTT. Otherwise, we are not aware of any factors unique to Scotland.

Consultation Question 70.
Are there any factors unique to Northern Ireland that we should consider?

We are not aware of any.

Consultation Question 71.
Are there any factors unique to the Channel Islands that we should consider?

We note that the 1974 Act was extended to the Channel Islands but that the 1992 Act was not (except for some minor provisions relating to industrial insurance) and, we understand, is not recognised under the laws of Jersey or Guernsey. Although incorporated societies do carry on business in the Channel Islands, we would suggest that the 1992 Act be extended to the Islands (and the Isle of Man) to avoid any future difficulties.

We note that similar issues may arise in relation to the taxation of land transactions in certain Channel Island jurisdictions to those identified in relation to Wales and Scotland above.

Consultation Question 72.
Are there other ways in which the friendly society legislation might be improved that we have not discussed elsewhere in the consultation paper?

Friendly societies may conduct all classes of long-term insurance business, but only the sickness and accident classes of general business (which can be carried on in conjunction with long-term business). While recognising that the PRA's "anti-contamination" rules would preclude societies already doing long-term business from doing other classes of general business, we see no reason why newly established friendly societies cannot be formed to carry on all classes of general business. Friendly societies offering discretionary benefits do already operate in areas which would be classed as general business if they were conducting contracts of insurance. We believe that allowing friendly societies to conduct other classes of general business could have a significant positive impact on the Government's wish to double the size of the mutual sector.

We would support the proposal made during the workshop on transfers that the period for representations following a transfer should be shortened (and would add that it should be done away with altogether for fast-track transfers). Since this is not a statutory period, it would need to be made statutory in order to impose a shorter period than the 6 weeks usually allowed for representations.

Consultation Question 73.
In several places in the consultation paper, we provisionally concluded that no reform is needed in respect of a specific issue. We invite consultees to tell us if they disagree with any of these provisional conclusions

Please see our answers to the relevant consultation questions.

Consultation Question 74.
We invite consultees to tell us if they believe or have evidence or data to suggest that any of our provisional proposals could result in advantages or disadvantages to certain groups, whether or not those groups are protected under the Equality Act 2010, and which those consultees have not already raised in relation to other consultation questions.

We have nothing specific to raise here, but would point out that friendly societies often provide financial services to disadvantaged individuals and communities who are unable to access those services elsewhere. Many of these individuals and communities will have characteristics protected under the Equalities Act 2010.