



**Law  
Commission**

Reforming the law

The background of the entire page is an abstract artwork. It features several overlapping silhouettes of human heads and shoulders, rendered in a variety of vibrant colors including red, orange, yellow, green, blue, and purple. The silhouettes are outlined in black and filled with textured, painterly brushstrokes. A dark green rectangular box with a thin white border is positioned in the lower half of the page, containing the title and subtitle text.

**REVIEW OF THE FRIENDLY  
SOCIETIES ACTS  
1974 AND 1992**

**FACT SHEET FOR MEMBERS**



## OUR CONSULTATION

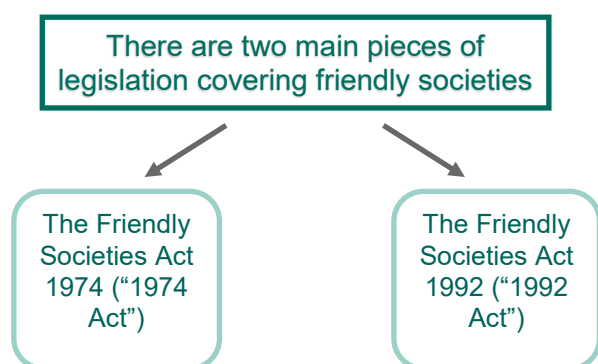
 <b>Who are we?</b>	The Law Commission of England and Wales is an independent body established by statute to make recommendations to the Government to reform the law in England and Wales.
 <b>What is this paper about?</b>	Friendly societies are organisations that provide insurance or other benefits to their members. Friendly societies have a “mutual” ownership model. This means they are owned and (mainly) funded by their members, and profits are distributed to the membership or reinvested for the benefit of the membership. Unlike in companies, there are no shareholders or outside investors.
 <b>What are we doing?</b>	The Law Commission of England and Wales has been asked by the Government to review the law that applies to friendly societies and to make recommendations to modernise it so that societies can thrive and continue to serve their members. We have published a consultation paper with provisional proposals to reform the law on this basis.
 <b>Where is the full consultation paper?</b>	The full-length consultation paper, and a separate summary of our proposals and questions, are available on the Law Commission’s website, <a href="https://lawcom.gov.uk/project/friendly-societies/">https://lawcom.gov.uk/project/friendly-societies/</a> .
 <b>Who do we want to hear from?</b>	We want to hear from anyone who has an interest in how friendly societies work, including members of friendly societies or groups who represent members.
 <b>How do I respond?</b>	Please respond using the online form available at: <a href="https://consult.justice.gov.uk/law-commission/friendly-societies">https://consult.justice.gov.uk/law-commission/friendly-societies</a> or by email to <a href="mailto:friendlies@lawcommission.gov.uk">friendlies@lawcommission.gov.uk</a> . Our address for hard copy responses is on our website.
 <b>What is the deadline?</b>	11 June 2025
 <b>What happens next?</b>	The responses to our provisional proposals will inform the recommendations we make to the Government in our final report.

## THIS FACT SHEET: PROPOSALS THAT MAY IMPACT MEMBERS

In the consultation paper, we explain friendly society law, set out some provisional proposals for reform, and ask consultees for their views on a wide variety of topics.

Many of our proposals would involve technical changes that would not affect members directly. In this fact sheet we flag specific topics where possible changes could have an impact on members of friendly societies.

### Re-registration or conversion of societies registered under the Friendly Societies Act 1974 (Chapter 3; Consultation question 3)



Some friendly societies are governed by the 1992 Act only, but older friendly societies are governed by both Acts. It is no longer possible to register under the 1974 Act and it will only remain in force until there are no longer any societies registered under it.

Having two pieces of legislation governing the same types of societies is inefficient and can be confusing. The 1974 Act is also out of date, but it is not clear that there is a convincing justification for spending public resources to update legislation where more modern legislation already exists.

Not all societies registered under the 1974 Act are actually friendly societies – for example, some are working men’s clubs or benevolent societies. These societies may have more in common with non-insurance types of society such as community benefit societies, which are governed by the Co-operative and Community Benefit Societies Act 2014 (“2014 Act”). That Act may provide a more suitable framework for these societies. It is already relatively simple for these societies to re-register under the 2014 Act.

We ask whether societies registered under the 1974 Act should be required to re-register under more modern legislation so that the 1974 Act can eventually be repealed.

Re-registration requires the consent of members, but we do not think that it would impact members negatively. The society would carry on with its business, just in a different corporate form under different legislation.

We provisionally suggest that societies should have three years to re-register under the 1992 Act or 2014 Act. Some societies may also choose to use the existing process to convert to a company such as a community interest company. While this would place a burden on societies to re-register (and, in the case of friendly societies, incorporate), this would only have to be done once and would make societies easier to run and they would operate in a modern and fit-for-purpose framework.

### Friendly societies’ rules (Chapter 3; Consultation questions 7 to 12)

Friendly societies are expected to deal with a number of topics in their rules. We consider the existing list of mandatory topics and make some provisional proposals about how the list can be updated. For example, we propose that certain topics should be included to ensure greater transparency, such as those that would require friendly societies to set out how management powers could be delegated, or how conflicts of interest would be dealt with.

At present, friendly societies must specify in their rules the terms on which benefits will be provided to members, or they must set out in the rules how the terms will be determined. We ask whether reform is needed in respect of friendly societies’ power to change their rules, including those concerned with benefit terms.

### Societies that provide discretionary benefits (Chapter 3; Consultation question 14)

Some friendly societies are authorised to undertake so-called regulated activities, which means they are subject to additional regulation and supervision by the Financial Conduct Authority and the Prudential Regulation Authority. Usually this means they are authorised under the Financial Services and Markets Act 2000 (“FSMA”) to provide contractual insurance benefits to their members. We call these regulated friendly societies.

Other friendly societies are not regulated in this way: if they provide truly discretionary benefits to their members, they do not require permission under FSMA.

Some stakeholders have suggested that only regulated friendly societies should fall within the scope of the 1992 Act, and that the non-regulated societies should re-register under the 2014 Act or convert to companies. We do not make a proposal to this effect, but we welcome views on how these societies and their members would be affected by this suggestion.

### **Register of members (Chapter 4; Consultation question 15)**

We ask whether legislation should expressly permit friendly societies to keep electronic registers of their members' names and addresses (as opposed to the legislation referring only to hard copies, which may be difficult for members to access and potentially more expensive to compile).

### **Electronic communication with members (Chapter 4; Consultation question 16)**



Although members do not exercise any day-to-day control over a friendly society's activities, they are consulted at general meetings on decisions that would impact the society's governance and business because members are the owners of a friendly society.

Friendly societies need to be able to communicate with their members in an efficient manner, to let them know about meetings, voting opportunities and so forth. Friendly societies can already communicate with their members electronically (for example, via email or a website) if members have explicitly agreed to this. Some friendly societies have suggested that they would like to communicate electronically by default – that is, unless a member explicitly expresses a preference for paper-based communication.

We ask whether friendly societies should take an “opt-in” or an “opt-out” approach to electronic communication. For example, following an opt-out approach, a friendly society could contact every person individually to ask whether they agree to receive electronic communication and if no response is received within 28 days, this would be taken as consent to receive electronic communication.

We are aware that not all members want to receive electronic communication, and we do not intend to reform the law to make electronic communication mandatory. Members should always have the option of receiving paper-based communication.

### **Notice for calling general meetings (Chapter 4; Consultation question 18)**

Meetings must be properly constituted and convened, and they represent an important part of governing friendly societies and facilitating communication with members. Members must be given at least 14 days' notice of meetings. The notice period expires on the date that the meeting takes place, except where proxy voting is permitted. Proxy voting is where someone chooses someone else to vote in their place or on their behalf.

If proxy voting is permitted at a meeting, the notice period expires on whatever earlier date is specified in the friendly society's rules for receiving proxy appointments. We think these rules on notice periods for calling meetings could be simplified.

We propose that notice periods for meetings should expire on the date that the meeting takes place, regardless of whether proxy voting is permitted and whether there is an earlier deadline for the receipt of appointment of proxies.



### Special resolutions (Chapter 4; Consultation question 19)

Some friendly societies operate on the principle of “one member, one vote”. Other friendly societies make use of a system of voting by delegates, which is when a friendly society elects a member (or members) to attend meetings and vote on certain matters.

A special resolution is a decision by a friendly society that requires a high percentage of voting members (75%) to vote in favour.

At the moment, proxy voting is not permitted at meetings of delegates voting on special resolutions.

We ask whether friendly societies that employ delegate voting should be permitted to appoint proxies to vote on special resolutions.

### Eligibility to be a committee member (Chapter 4; Consultation question 26)

People under 18 are not eligible to be elected to a friendly society’s committee of management (sometimes referred to as its “board”). People over a certain age (usually 70) can only be elected if they have been approved as eligible by a resolution of the existing committee. Further, everyone entitled to vote must be notified of the person’s age and the reasons for the committee’s approval of their nomination to be elected as a committee member. And at age 70, sitting committee members must declare their age and retire from the committee. They may also only be re-elected if certain conditions are met.

We ask whether these age-based eligibility criteria for committee members should be changed. We also ask whether any new criteria for eligibility should be introduced.

### Asset locking (Chapter 6; Consultation questions 40 and 41)

“Asset locking” protects a friendly society’s assets from being “cashed in” and used for private gain, rather than for the good of the society. Asset locking is a way of discouraging demutualisation. Demutualisation is when a friendly society loses, or chooses to give up, its mutual status by changing its ownership model. In practical terms, this means the organisation is no longer run by its members for their mutual benefit, but by management primarily for the benefit of outside investors.

Asset locking ensures that an organisation can only use its assets for certain purposes: it seeks to prevent individuals (including members) from benefiting from a windfall distribution of the assets contributed by previous generations of members in exchange for voting in favour of demutualisation. Asset locking can raise difficult questions for tax and regulation, so while friendly societies might in general be supportive of measures to protect against demutualisation, these might be hard to implement in practice.

We ask about the potential advantages and disadvantages of asset locking for friendly societies, as well as views on potential challenges.





## Transfers of business engagements (Chapter 8; Consultation questions 50 to 53)

At the moment, the procedure for transferring a friendly society's business to another friendly society or company is complicated and expensive. It generally takes a long time: up to a year is seen to be common. This makes it difficult for friendly societies to acquire new business, or to sell part of their business if it would make sense to do so.

The transfer process involves the regulators (the FCA, and the PRA if the friendly society is authorised to carry on regulated activities), as well as actuaries as independent experts. The regulators confirm the transfer if all the relevant steps have been taken (including making all material information available to members, who must pass a special resolution in favour of the transfer) and there are no grounds that would preclude confirmation.

We are considering different ways of making this process more efficient and cost-effective.

The normal process is to obtain members' consent for business transfers, but we provisionally think it might be useful to allow friendly societies some flexibility in this respect. For example, the law could permit a recipient friendly society, under certain circumstances, to apply to the appropriate authority (the FCA or the PRA) for consent to agree to a transfer without a special resolution of the members. This is already possible when the transferring entity is another friendly society. We think that standardising voting requirements, and potential exemptions, would simplify matters, especially where there does not appear to be a clear reason for the distinction. This would not be the general rule and would require the permission of the regulators. We also ask under what circumstances this should be possible.

We are also considering other options of making the process more efficient, such as whether a timeframe should be agreed with the regulators, the circumstances under which the regulators have a discretion to alter the requirements for a transfer, and whether a simplified process should be available for small societies or for non-regulated societies.



## Access to capital (Chapter 9; Consultation question 55)

Friendly societies build up surplus funds (made up of members' contributions) over decades. They can raise external capital by borrowing against future earnings but not by selling shares to outside investors. Some friendly societies have said that they would be able to grow their businesses and develop new products to offer to their members if they could obtain access to additional funds. Some friendly societies want the law to allow them to access external investment while limiting the control that investors could exert over the friendly society.

We do not make any provisional proposals to enable societies to do so at this point, but we note that other mutual organisations like building societies do have the ability to sell shares to investors.

There are various ways to protect members' interests in those contexts, for example by limiting an investor's right to vote on certain matters and only awarding one vote to an investor regardless of the size of their investment.

We ask for views on new ways for friendly societies to access external capital.

## Restrictions on business activities (Chapter 10; Consultation questions 56 to 62)

We provisionally propose lifting some current restrictions on friendly societies – for example, allowing friendly societies greater freedom to set their own terms for making loans to members and updating existing loan amounts. At present, it is not very common for friendly societies to make loans to members even where the law permits this.

Some friendly societies have told us this is because the amounts (half of the value of a life policy or up to £200, depending on the type of loan) are too low to be useful. Others have said their members are unlikely to be interested regardless of the amounts. None of our provisional proposals would impact the regulatory oversight to which friendly societies are currently subject or regulations that would become applicable if the loan amounts are increased.

We ask for views on our provisional proposals to lift some of the restrictions on friendly societies' business. In particular, we would like to hear from members of friendly societies on whether they would be interested in obtaining small loans through their friendly societies if these were to be offered.

## Further topics for law reform (Chapter 12; Consultation question 72)

If there are other areas of reform not covered here that you think is important for us to consider in relation to friendly societies, we encourage you to read the summary and full consultation paper to see if the topic is covered there. If not, you can let us know of any additional issues you wish for us to consider.

### NEXT STEPS

We want to hear from anyone who has an interest in friendly societies. Your views will be carefully considered when we decide on our final recommendations.

Respond by 11 June 2025 to have your say.

Go to <https://lawcom.gov.uk/project/friendly-societies/> for more information.

Cover image: iStock.com/stellalevi  
Page 4: iStock.com/dem10  
Page 5: iStock.com/miniseries  
Page 5: iStock.com/Sewcream  
Page 6: iStock.com/aalexx  
Page 7: iStock.com/IrynaAlekseienko

