

# Raising money from members

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*different*



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# Co-op capital

- Members' money was the historic basis for funding co-operatives from 1844
- In the form of “withdrawable share capital”
- Akin to a deposit account; shares not numbered, or “issued” or even “allotted”; money paid in and withdrawn
- Rules specify nominal value, shares remain at that value
- Rules may limit withdrawability by notice period, amount per person/annum, not-before date etc.
- Rules may permit board to suspend power to withdraw
  
- This funded a huge expansion in co-ops in the C19th and the early C20th

# Co-op capital

- Operated successfully for many years
- Substantially based on undrawn dividends
- Failure of Millom Co-operative Society (BBC Nationwide coverage)
- Move away from dividend; facilities for transactions as financial regulations become more onerous; competition
- Less attractive for larger societies because of risks



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# Co-op capital

- More recent revival of interest in withdrawable share capital in smaller societies
- Community Shares Unit – housing, community shops, pubs, other local institutions
- But what about the retail societies?
- And what do we do with our money anyway?



# Members' money

- Early 2017 – members' money project
- Look again at raising money from members
- Is there any interest?
- What would help?
- Review the legal position
- Engage with the FCA

# Members' money

- 9 retail societies interviewed
- Wide variety in practice – six of them with less than 15% of reserves being member share capital
- Availability of cheap debt finance
- Return to members shouldn't cost any more than other funding?
- Operational costs an issue

# Members' money

- Real concerns about a “run” and reputational damage done
- Concerns about regulatory environment – no protection for members
- **What did societies want?**
- The majority wanted to use members' capital but wanted:
  - Revised code of practice
  - Comfort as to risks
  - A refinement which allows for minimum amounts, money in tranches, and limits withdrawal for a defined period

# Members' money

- So what did we do?
- Produced a legal guide to withdrawable share capital
- Produced:
  - Notes
  - Draft letter to applicants
  - Application form
  - Terms and conditions
  - Revised model rules
- For each of a “fixed term” withdrawable share, and a “suspended” withdrawable share



# Members' money

- What next?
- Documents prepared in final draft
- Being circulated to the societies for review and market testing
- Will be available via the Co-ops UK website



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# Raising money from members

Thanks for listening!

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