

## United Kingdom Legal Framework Analysis: Key Highlights

This one-pager aims to provide a brief overview of the most notable features of the United Kingdom's (UK) national cooperative legal framework, based on the work of the national legal expert and the input of the contributing member organisation.

Cooperatives in the UK are primarily regulated by the Co-operative and Community Benefit Societies Act 2014 (the 2014 Act) which applies in England, Wales and Scotland, but also to those societies in Northern Ireland that choose to record their rules in England. The registrar for cooperative and community benefit societies established under the 2014 Act is the Financial Conduct Authority (FCA), and its functions in relation to registered societies are as a registrar, rather than a regulator.

There is no express reference to the ICA Principles in the 2014 Act. However, they become relevant through the registrar's Guidance. The Guidance sets out the registrar's approach to its role as registering authority for societies under the 2014 Act. The registrar generally expects to verify and validate whether Principles 1 to 4 have been met through the rules and governance arrangements of a cooperative society.

**Cooperative Friendliness:** The national expert concludes that the UK is cooperative unfriendly. There is no recognition of cooperatives as a distinct and legitimate type of organisation, with a wide range of legal forms available for cooperatives. Because there is no recognition of a cooperative as a distinct type of enterprise, there is no statutory definition of a cooperative, and the only protection that the law provides is through the function of the registrar.

**Key recommendations for improvement:** The national expert recommends a statutory definition of "cooperative" which is linked to the ICA principles, as well as enhanced powers for the registrar such that it acts as a regulator to ensure only cooperatives meeting the definition are registered. A replacement of withdrawable share capital with a type of share which can be repaid by the cooperative, enabling the society to maintain control over its own capital, is also recommended. Among its recommendations, Co-operatives UK argues that the Department for Business, Energy and Industrial Strategy should be responsible for legislative and policy-making for societies, and also for registration to be more closely linked to the department.

**Conclusions:** Since its origins in the nineteenth century, there has never been a formal and proper review of UK cooperative law with a view to optimising the contribution it can make to the common good in the UK. As a result, although it is widely regarded as the birthplace of cooperation, UK cooperative law remains comparatively under-developed, with the result that the territory is an unfriendly environment for the establishment and promotion of cooperatives.