



# Avon Dassett Community Benefit Society Limited Interest Payment Policy



## Update Schedule

<b>Version</b>	<b>Date</b>	<b>Description / Reason For Revision</b>
Version 1	16 August 2021	Approved by the Management Committee.
Version 2	11 October 2021	Approved by the Management Committee
Version 3	5 <sup>th</sup> July 2022	For adoption by members at the Annual General Meeting

Registered with The Financial Conduct Authority under the Co-operative and Communities Benefit Societies Act 2014 as a Benefit Society  
Registration Number:7489

VAT Registration Number:272 5990 71





## Introduction

Avon Dassett Community Benefit Society Limited (“the Society”) is governed by its Rules and, in our case, we have chosen to adopt the standard model agreed with the Plunkett Foundation and the Financial Conduct Authority (“the FCA”). These form our constitution, and they specify how the Society must govern itself in all aspects of its business.

The Model Rules allow the Society to agree specific policies that complement and bring meaning to the Model Rules. One such example is in the area of interest payments.

The Society’s rules make provision for the payment of interest and the following is an extract from the rules that were adopted at the Annual General Meeting held on 2 August 2021:

- 8.5 The Society may (but is under no obligation to) pay interest to holders of shares, as compensation for the use of such funds, subject to the following:
  - 8.5.1 any payment of interest must be from trading profits and is at the discretion of the Management Committee having regard to the long-term interest of the Society, the need to maintain prudent reserves and the Society’s commitment to community benefit
  - 8.5.2 the rate of interest to be paid in any year is to be approved by resolution of the Members at the Annual Members’ Meeting, and shall not exceed 5% or 2% above the base rate of the Bank of England whichever is the greater
  - 8.5.3 the Management Committee may decide that interest shall not be paid in relation to holdings of shares below a minimal level

The Society’s share prospectus issued in April 2017 states:

It is the intention, after the first year and subject to an appropriate surplus being available, that interest will be paid at a rate of 2% over Base Rate as set by The Bank of England’s Monetary Policy Committee with a minimum rate of 3% and a maximum of 5%. These rates will be reviewed at the Annual Members Meeting of the Society.

## 1) Interest Payment Policy

The Management Committee will consider making payments to shareholders at least once during each financial year, for payment within three months of the interest payment end date. Before approving the payment of interest to members the Management Committee must ensure that any interest payments will not have an adverse impact on the financial stability of the Society.

## 2) Accrual Procedures re Interest Payments

The Management Committee will consider whether it is appropriate to accrue for interest payments. Any agreed accruals will be transferred monthly or as agreed to a member interest bank account. If accruals are agreed the Management Committee will, if the Society’s financial circumstances change, have the authority to reverse any accruals made. It should be noted that any accruals made should be interpreted as an intention to pay interest and not a binding commitment.

## 3) Interest Payment Procedures

- a) the Management Committee will agree the interest rate and the period for which interest will be paid
- b) the Management Committee will agree the date on which interest will be paid
- c) all interest will be calculated on a simple interest for the period under consideration
- d) the Management Committee will agree a minimum amount of interest calculated that will be paid to members
- e) unpaid interest will be held in a Members Interest Account until the amount reaches the minimum payment level or the shareholders membership is cancelled
- f) interest will not be calculated on any monies held in the Members Interest Account



#### 4) Member Options

For each payment made, the Management Committee will agree the options that it will be offered to Members in respect of interest payments. For example:

- a) Members may have the following high-level options:
  - i) if the amount of interest exceeds the minimum payment amount a bank transfer will be made to the member's bank account. Payments will not be made either in cash or by cheque.
  - ii) if the amount payable exceeds £50 (fifty pounds), then the member, upon receipt of the transferred funds, has the option of purchasing further shares up to the maximum shareholding
  - iii) any payments where the amount due is less than the minimum payment amount will be retained within the Society in a separate bank Members Interest Account
- b) if the payment amount is less than the minimum payment amount the following will apply:
  - i) if the member seeks repayment of their investment before the interest has been paid by bank transfer then the amount of the interest will be added to the share redemption amount
  - ii) if previous interest amounts have not been paid, the interest amount for the period in question will be added to amounts held in the Members Interest Account and the options in a) above will apply

#### 5) Policy Review

This Policy will be reviewed on an annual basis to coincide with Annual General Meeting of the Society. In exceptional circumstances the Management Committee can make any changes that it feels are appropriate, but must advise members that changes have been made to the policy.

