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CHAPTER 165

CREDIT UNIONS

AN ACT TO REGULATE THE OPERATION OF CREDIT UNIONS IN SOLOMON ISLANDS AND TO PROVIDE FOR OTHER MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

[5th September 1986]

PART I

PRELIMINARY

1. This Act may be cited as the Credit Unions Act.
2. In this Act, unless the context otherwise requires—
 - “board of directors” means the body elected by the members to manage the affairs of the credit union;
 - “by-laws” means the standard by-laws and includes the registered supplementary by-laws;
 - “credit committee” means the committee elected by the members under the by-laws to consider and approve loans;
 - “credit union” means a co-operative, non-profit organisation registered under section 8 having as its objectives the principles set out in section 15;
 - “dividend” means a share of the surplus or the bonus declared by a credit union divided among its members in proportion to the number of shares held by them;
 - “interest” means the charge levied on loans made to members, which may not exceed the maximum fixed by regulations made under this Act;
 - “league” means the body recognised as the parent body of credit unions and registered in accordance with section 66;
 - “member” means a person who joins a registered credit union in accordance with its by-laws;
 - “officer” means the chairman, secretary, manager, a member of the board of directors, the supervisory committee, the credit committee and includes any other person empowered under this Act or the by-laws to give directions relating to the business of a credit union;

"Registrar" means the Registrar of Credit Unions appointed pursuant to section 3;

"standard by-laws" means the by-laws prepared by the Registrar and approved by the Minister under section 18;

"supervisory committee" means the respective committees elected by credit unions or the league of credit unions, as the case may be; and

"supplementary by-laws" means ancillary by-laws of a credit union registered with the Registrar but does not include the standard by-laws.

PART II

REGISTRATION

3.—(1) There may be appointed—

(a) a Registrar of Credit Unions; and

(b) such other officers as may be necessary for the due administration of this Act.

(2) Any appointment made under subsection (1) shall, if the person appointed is to be a public officer, be made pursuant to the Constitution, but otherwise shall be made by the Minister.

(3) The Registrar so appointed, shall, subject to the provisions of this Act, and such instructions he may from time to time receive from the Minister administer this Act and perform all the functions assigned to him by or under this Act.

4. The Registrar shall keep a register of all credit unions registered under this Act.

5. Subject to the provisions of this Act, any fifteen or more persons resident in Solomon Islands who desire to associate themselves together as a credit union for the objects set forth in this Act, may, in the presence of a witness, sign in duplicate a memorandum of association, and cause it to be filed in the Office of the Registrar. Such memorandum of association, printed or typed, shall be in the form in the First Schedule and there shall be attached to the memorandum—

(a) an affidavit verifying the signatures to such memorandum;

(b) a copy of the supplementary by-laws;

(c) the fees prescribed by regulations; and

(d) a copy of a report of the preliminary meeting referred to in section 7.

6. The memorandum of association shall state—

(a) the name of the credit union;

(b) the group of persons to whom membership shall be limited;

(c) the address in Solomon Islands at which the registered office of the credit union is to be situated;

(d) the par value of its shares;

(e) the names and addresses of the subscribers to the memorandum, the number of shares subscribed by each and the qualification of each within the group to which membership is limited.

7. On completion of the signing of the memorandum of association referred to in section 5, the credit union shall hold a preliminary meeting for the purpose of deciding the following matters—

(a) the supplementary by-laws of the credit union;

(b) completion of the application for registration; and

(c) election of the board of directors.

8.—(1) Where the Registrar is satisfied that the credit union has complied with the provisions of this Act, and the regulations, he may register the credit union and its by-laws and issue a certificate of incorporation as set out in the Second Schedule.

(2) Where the Registrar refuses to register a credit union, he shall—

(a) inform the applicant in writing of the reason for the refusal; and

(b) return the fee paid.

(3) An appeal shall lie to the Minister within one month against the refusal of the Registrar to register any credit union.

9. The registration of a credit union shall render it a body corporate by the name under which it is registered and with limited liability to which the provisions of Part VII of the Interpretation and General Provisions Act shall apply.

10. A certificate of registration of a credit union, signed by the Registrar, shall be presumptive evidence that the credit union named in the certificate is registered.

Appointment of Registrar and other officers

Register to be kept

Memorandum of association

First Schedule

Contents of memorandum

Preliminary meeting

Registration

Second Schedule

Incorporation of credit union limited liability

Cap. 85

Evidence of registration

Publication of registration

11. The Registrar shall cause the registration of a credit union to be published in the Gazette.

Register of Credit Unions

12.—(1) The Registrar shall keep a Register of Credit Unions, wherein he shall enter particulars of the registration of credit unions, the respective supplementary by-laws, and of any changes in the status of credit unions.

(2) All entries in the Register of Credit Unions shall be signed by the Registrar.

(3) The Register of Credit Unions shall be open to inspection, on payment of the prescribed fee to the public during normal hours of business.

Registrar to forward certificate of registration etc

13.—(1) When a credit union has been registered, the Registrar shall send to the credit union—

(a) a certificate of incorporation as required under subsection (1) of section 8;

(b) a copy of the supplementary by-laws as registered, certified by him;

(c) a copy of the standard by-laws; and

(d) a copy of this Act and the regulations.

(2) The Registrar may charge from the credit union the cost incurred in supplying the items referred to in paragraphs (b), (c) and (d) of subsection (1).

Restriction of name

14. No credit union shall be registered under a name identical with that by which any other existing credit union has been registered, or so nearly resembling that of another as to be likely to deceive and the words “credit union” shall form part of the name with the word “limited” being the last word in the name of every credit union.

PART III

OBJECTS, DUTIES AND POWERS OF CREDIT UNIONS

Objects

15. The objects of a credit union shall be—

(a) to promote thrift among its members;

(b) to create a source of credit at fair and reasonable rate of interest primarily for provident and productive purposes;

(c) to receive the savings of its members either as payment, shares or deposits; and

(d) to provide an opportunity for its members to use and control their own money in order to improve their social and economic well-being.

16. Any act of a credit union subsequent to registration shall not be invalidated by a defect in the registration procedures.

17.—(1) Every credit union registered under the provisions of this Act shall be a member of the credit union league and be subject to its supervision.

(2) A credit union may, with the approval of the Registrar be a member of another credit union.

18.—(1) The Registrar shall prepare and submit for approval by the Minister standard by-laws not inconsistent with the provisions of this Act, which shall subject as hereinafter provided apply to every credit union registered under this Act.

(2) The Registrar shall supply a copy of the standard by-laws to any person bona fide applying therefor for any purpose relating to a credit union or the proposed formation of a credit union.

(3) A credit union may by a two-thirds vote of the members present at an annual general meeting called for the purpose, make by-laws for the credit union to be known as supplementary by-laws, but such by-laws shall not be of any effect until the same has been approved by the Registrar.

(4) Where the Registrar refuses to register a supplementary by-law or any amendment thereto, the credit union may within one month from the date of receipt of the notice or refusal appeal to the Minister.

19. Every credit union shall have an address to which all notices and communications shall be sent and any change in that address shall be notified to the Registrar.

20.—(1) Every credit union shall keep a register of members wherein shall be entered—

(a) the name and address of every member, and the number of shares held by each;

(b) the date on which the member joined the credit union; and

(c) the date on which the member ceased to be a member, where applicable.

Defects in registration

Credit union to be member of league

By-laws

Address of credit union

Register of members

Restriction of membership

30. No person shall without the prior written permission of the Registrar be a member of more than one credit union.

Exercise of rights

31.—(1) No member of a credit union shall exercise the rights of a member until he has paid for the minimum number of shares stated in the by-laws.

(2) No member may be elected as a director, or as member of the credit committee, or the supervisory committee until he has attained the age of eighteen years.

Membership

32. The election and admission of members and their voting rights shall be as prescribed in the by-laws.

Withdrawal of membership

33. A member may withdraw from a credit union at any time on giving such notice of withdrawal as may be required in the by-laws.

Expulsion of member

34.—(1) The board of directors may by two-thirds vote, at a meeting duly called, expel a member from the credit union.

(2) The secretary shall within five days from the date on which the member is expelled, notify him in writing of the action of the board of directors.

(3) An appeal from the action of the board of directors may be taken by the member at the next general meeting of the credit union:

Provided that written notice of intention to appeal shall be given by him to the secretary within thirty days from the date of receipt of the notice mentioned in subsection (2).

(4) At such meeting a majority of members present may confirm or rescind the action of the board of directors.

(5) The expulsion of a member shall take effect—

(a) where no notice of appeal has been given within the time for appealing, upon the expiration of such time;

(b) where an appeal has been made, upon the date of confirmation or rescission by the members of the general meeting.

Payment upon death, withdrawal or expulsion of member

35. All amounts paid in on shares or as deposits by a member who is expelled or withdraws from the credit union or who dies and any related dividends or interest shall be paid to him, or in the case of death to his personal representative as funds become

available and after deducting all amounts due from him to the credit union. Any shares paid pursuant to this section shall for the purpose of section 29, be deemed to have been withdrawn by notice given on the date of such expulsion, withdrawal or death, as the case may be.

36. A member who is expelled or withdraws shall have no further rights in the credit union but shall not, by such expulsion or withdrawal, be released from any remaining liability to the credit union.

37. No member entrusted with or participating in the direct management of the affairs of the credit union shall withdraw or transfer or otherwise dispose of his shares, during the exercise of his functions. In the case of insolvency of the credit union any such withdrawal or transfer made by him within four months preceding such insolvency shall be null and void. Such member shall remain liable to creditors of the credit union to the extent of such shares so disposed of or transferred.

PART VI

PROPERTY AND FUNDS OF CREDIT UNION

38.—(1) The share capital of a credit union shall consist of a number of shares not less than two dollars each in value.

(2) The manner of acquiring and the number of shares to be held by members shall be as stated in the by-laws.

39.—(1) Subject to the provisions of this section and to the by-laws, shares may be assigned, transferred or withdrawn by a member.

(2) Shares may only be assigned or transferred to a member of the credit union.

(3) No assignment, transfer or withdrawal shall be valid unless approved by the board of directors and the transfer thereafter entered in the register.

(4) If a member wishes to transfer his shares to a person who is not a member, the transferee shall first be admitted as a member in accordance with the by-laws and the transfer thereafter entered in the register.

Effect of expulsion or withdrawal

Officers not withdraw or transfer shares

Share capital

Transfer of shares

Investment of funds

40. For the purpose of carrying out its objects, a credit union may, subject to the provisions of this Act, invest or deposit its funds—

- (a) with any licensed bank in Solomon Islands;
- (b) with any other credit union; or
- (c) in any other way as approved by the Registrar.

Borrowing powers

41. A credit union may borrow moneys from persons or institutions, subject to the limit imposed by section 43.

Deposits

42. A credit union may accept deposits from members either as savings or as contributions towards shares.

Limit of borrowing

43. Every credit union shall, at its annual general meeting, fix subject to the provisions of section 64, the maximum liability it may incur in loans.

Loans to members

44. Subject to the provisions of this Act and of the by-laws, a credit union may grant loans to members for productive and provident purposes.

Reserve Fund

45.—(1) Subject to the provisions of subsection (2), a minimum of ten *per centum* of the gross income, as stated in the audited report submitted in accordance with section 48 shall be transferred to the Reserve Fund of the credit union established for that purpose, and such sum may—

- (a) be invested in accordance with section 40; or
- (b) be utilised to meet bad loans or losses other than operating deficits.

(2) Transfer to the Reserve Fund may cease when the Reserve Fund is equal to fifty-five *per centum* of the sum of the share capital and members' deposits for the time being.

Entrance fees

46. An entrance fee as prescribed under the by-laws may be charged by the credit union for the admission of new members.

Disposal of surplus

47.—(1) The net surplus remaining after the transfer effected under section 45 and meeting operational expenditure for the year, may, with any surpluses from previous years be paid as dividend on shares but shall not exceed the rate prescribed by regulations.

(2) The dividend paid on shares pursuant to subsection (1) may be by transfer to member's share capital.

PART VII

AUDIT AND INVESTIGATION

48.—(1) The accounts of every credit union shall be audited once in every year by an auditor authorised by the Registrar and approved by the supervisory committee.

(2) For the purpose of subsection (1), an auditor shall have the same functions and rights as an auditor of a company under section 156 of the Companies Act.

(3) On completion of the audit the auditor shall forward a report to the Registrar who shall cause such report to be forwarded to the supervisory committee and the credit union leaguc.

49. The Registrar may prescribe the books and records that should be kept by credit unions.

50. The Registrar or any person authorised by the Registrar shall have access to all the documents, cash and securities of a credit union, and every officer of a credit union shall provide such information relating to the business of the credit union as the person making the inspection may require.

51.—(1) Where the Registrar—

(a) has reason to believe—

- (i) that a credit union is unable to meet its obligations or has made default in complying with any provisions of this Act; or
- (ii) that an offence under this Act, the regulations or the by-laws of a credit union has been or is likely to be committed by a credit union or any member; or
- (iii) that the interests of the members of a credit union are otherwise in danger; or

(b) receives a requisition signed and supported by an affidavit by not less than one-quarter of the members of a credit union, that an investigation be held into the affairs of a credit union; or

(c) receives a requisition signed and supported by an affidavit by a majority of the members of the board of directors or by the supervisory committee; or

Audit

Cap. 175

Books of accounts

Power of Registrar to inspect books

Investigation