Community benefit societies

The purpose of a community benefit society is to serve the broader interests of the community, in contrast to co-operative societies that serve the interests of members. The Co-operative and Community Benefit Societies Act 2014 requires a community benefit society to “carry on a business, industry or trade” that is “being, or intended to be, conducted for the benefit of the community”. But the Act does not provide any further definition or description of what a community benefit society is, creating a reliance on guidance issued by the Financial Conduct Authority (FCA). The FCA focuses on four key characteristics of a community benefit society:

Purpose: The FCA says that “the conduct of a community benefit society’s business must be entirely for the benefit of the community.” There can be no alternative or secondary purposes, including any that may preferentially benefit the members.

Membership: In common with all societies, community benefit societies normally have members who hold shares and are accorded democratic rights on the basis on one-member-one-vote. The FCA says “it is not usually appropriate for a community benefit society to give any particular group of members greater rights or benefits, because the society must be conducting its business for the benefit of the community. So, for example, we would expect to see community benefit societies run democratically on the basis of one-member-one-vote.“

Application of profits: Any profit made by a community benefit society must be used for the benefit of the community. Unlike a co-operative society, profits cannot be distributed to members of a community benefit society. Interest on share capital is an operating expense and should be subject to a declared maximum rate.

Use of assets: Community benefit societies must only use their assets for the benefit of the community. If a community benefit society is sold, converted, or amalgamated with another legal entity, its assets must continue to be used for the benefit of the community and must not be distributed to members. This lock on the assets of a community benefit society can be reinforced by adopting the prescribed wording for a statutory asset lock.

The FCA registration guidance acknowledges that a community benefit society might define the community it serves, but this should not inhibit the benefit to the community at large, in other words, community benefit should not be restricted to members only. The FCA does not provide guidance on who can be a member of a community benefit society. In the context of community shares, it is assumed that membership is open to any person who supports the purpose of the society, without the distinction found in co-operative societies between user and non-user members. Normally, the FCA would expect members to be granted democratic control, based on one-member-one-vote, but it may be prepared to register societies where control has been ceded to a parent body, if that parent body can show that it can run the society for the benefit of the community.