



**AN BILLE CUMANN FOIRGNÍOCHTA (LEASÚ), 1986
BUILDING SOCIETIES (AMENDMENT) BILL, 1986**

EXPLANATORY MEMORANDUM

The purpose of the Bill is to amend existing legislation on building societies in relation to a number of aspects of their operations. It will empower building societies to make loans for such purposes and subject to such conditions as may be prescribed by the Minister for the Environment and not solely on the security of a mortgage as heretofore. It will prohibit the charging of tiered rates of interest on loans to which such rates did not apply on 1st August, 1986 and on new loans made after publication of the Bill (with effect, in the latter case, from a date some 6 months after enactment of the Bill). The Minister for the Environment will be empowered to make regulations prescribing rules in relation to certain building society practices.

Section 1 defines certain terms used in the Bill.

Section 2 extends the definition of a "building society" contained in section 2 of the Building Societies Act, 1976, (which restricts societies to lending on security by the mortgage of freehold or leasehold estate or interest) to cover lending for such additional purposes as may be prescribed by the Minister for the Environment in regulations under *section 3*.

Section 3 provides that notwithstanding any provision in the Building Societies Acts, 1976 to 1983 a building society may make loans for such purposes and subject to such conditions (other than conditions relating to the rate of interest chargeable) as may be prescribed by the Minister for the Environment with the consent of the Minister for Finance and after consultation with the Registrar of Building Societies. It also empowers the Minister for the Environment to make regulations changing provisions in the Building Societies Acts, 1976 to 1983 in such ways as may reasonably be necessary arising from this section; a resolution of both Houses of the Oireachtas will be required to give effect to such regulations.

Section 4 prohibits the charging of a tiered interest rate on a loan where the mortgage was executed before 1st August, 1986 and on which a tiered rate was not being charged on that date. A society is also being prohibited, with effect from the first day of the month following a six month period commencing from the passing of the Act, from charging a tiered interest rate on a loan made on or after 23rd October, 1986 (the date of publication of the Bill). A tiered interest rate is defined as a rate which is determined by reference to the amount of the loan made or the amount outstanding on foot of it and which is higher than the lowest rate applicable to loans made at the time to members of the society generally.

Section 5 provides that a person who is charged a tiered rate in contravention of section 4 is not in breach of his mortgage agreement if he does not pay the additional amount sought from him because of the charging of the tiered rate. A person is also given the right to recover any excess amount he may have paid to the society.

Section 6 empowers the Minister for the Environment, after consultation with the Registrar of Building Societies, to make regulations prescribing building society rules in respect of:

- the prohibiting or restricting of the charging of redemption fees i.e. any amount over and above the principal and interest due at the time of redemption;
- the making available to a borrower of the valuation report on a property required under section 79 (1) (b) of the Building Societies Act, 1976;
- removing or restricting the right of a society to require a member to insure the property with a particular insurer;
- precluding or restricting a society from requiring a member to pay its costs of legal investigation of title to the property which is being mortgaged; and
- the arranging by a society with an insurer for mortgage protection insurance.

Rules prescribed by the Minister in relation to these matters will form part of the rules of each society to which the regulations apply one month after the regulations have come into effect. The powers to make regulations prescribing building society rules conferred on the Minister by this section are in addition to those vested in him by section 10 of the Building Societies Act, 1976.

Section 7 relates to the title, collective citation and construction of the Act.

*An Roinn Comhshaoil,
Deireadh Fómhair, 1986.*