

FRIENDLY SOCIETIES ACT 1992

DECISION BY THE PRUDENTIAL REGULATION AUTHORITY ON THE APPLICATION OF THE KENSINGTON FRIENDLY COLLECTING SOCIETY LIMITED TO TRANSFER ALL OF ITS ENGAGEMENTS TO THE INDEPENDENT ORDER OF ODD FELLOWS MANCHESTER UNITY FRIENDLY SOCIETY LIMITED, UNDER SECTION 86 OF THE FRIENDLY SOCIETIES ACT 1992.

The Prudential Regulation Authority's Supervisory Assessment Panel decided the application and decided to confirm the transfer pursuant to section 86 of The Friendly Societies Act 1992. Its full decision is set out in section 5 of this notice.

1. INTRODUCTION

1.1. The Kensington Friendly Collecting Society Limited (Tees Mutual, "**the Society**") applied on 21 November 2024 to the Prudential Regulation Authority ("**the Authority**") for confirmation of the transfer of all of its engagements to The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited ("**the Transferee**") pursuant to section 86 of the Friendly Societies Act 1992 ("**the Act**").

Procedure

1.2. Paragraph 2(b) of section 86 of the Act requires that a friendly society, in order to transfer any of its engagements, must resolve to transfer the engagements by special resolution. The Society's members voted on the resolution relating to the proposed transfer of engagements of the Society to the Transferee ("**the Transfer**") with votes counted and declared on 20 November 2024.

1.3. Paragraph 6 of Schedule 15 to the Act requires that, where a friendly society applies to the Authority for confirmation of a transfer of engagements, a notice shall be published stating that interested parties have the right to make representations to the Authority with respect to the application. The notice must, among other matters, specify the date, determined by the Authority, before which any written representations or notice of a person's intention to make oral representations must be received by the Authority and the date on which the Authority intends to hear any oral representations. In the case of the Transfer, notice was given by the Society in the London Gazette on 25 November 2024. The notice specified 6 January 2025 as the closing date for receipt by the Authority of written representations or notice of

intention to make oral representations and 3 February 2025 as the date set aside by the Authority to hear oral representations.

- 1.4. Paragraph 6 of Schedule 15 to the Act also states that the notice of the application shall be published in one or more newspapers if so directed by the Authority. In accordance with the direction of the Authority, notice of the application was published in The Northern Echo on 25 November 2024. The notice was also published on the home page of the Society's website on 26 November 2024.
- 1.5. By 6 January 2025 the Authority had received no written representations, or notices of intention to make an oral representation. The Authority therefore did not hold the oral hearing as advertised on 3 February 2025. No written representations or notices of intention to make oral representations were received by the Authority or the Society subsequently.

Materials prepared by the Society

- 1.6. In considering its confirmation of the Transfer, the Authority considered, where relevant, the material produced by the Society about the Transfer and sent to its members. The material sent to members included the statutory statement required by paragraph 1(1) of Schedule 15 to the Act to be sent to every eligible voting member of the Society concerning the matters specified in paragraph 2 of Schedule 15 to the Act ("**the Member Statement**"). The Member Statement was approved by the Authority on 16 October 2024. The Authority consulted the Financial Conduct Authority ("**FCA**") prior to giving this approval in accordance with paragraph 2(3) of Schedule 15 to the Act.
- 1.7. It is not, however, for the Authority to consider the merits of proposals which the members eligible to vote on the Transfer have approved, save for its assessment of the application against the relevant Preclusion Grounds as set out in section 3 of this notice.

2. THE SOCIETY'S VOTE

- 2.1. Section 86(2)(b) of the Act requires that, in order to transfer its engagements, a friendly society must resolve to do so by special resolution.
- 2.2. Paragraph 7(2) of Schedule 12 to the Act provides that a resolution of a friendly society shall not be effective as a special resolution unless it is passed by not less than three-quarters of the number of the members of the society entitled to vote on it and voting either (in person or by proxy) on a poll at a meeting of the society or in a ballot.
- 2.3. Paragraph 7(1) of Schedule 12 to the Act provides that a friendly society must give at least 14 days' notice (or such longer period as the rules may require) expiring with the date of the meeting at which such resolution is to be moved or, where proxy

voting is permitted, expiring with such earlier date as may be specified by the society under its rules. The Society's rules require at least 14 days' notice, expiring on the final date for receipt of proxies, being 48 hours before the date of the meeting. Notice of the meeting was given by advertisement in a newspaper (The Northern Echo) circulating in the areas in which the members of the Society reside, in accordance with the Society's rules, on 23 October 2024, and was also sent to all eligible voting members on 31 October 2024. The annual general meeting at which the resolution was moved was held on 20 November 2024. Therefore, notice was given more than the requisite number of days in advance of the voting date.

2.4. Paragraph 1(3) of Schedule 15 to the Act states that a friendly society must send the statement required by paragraph 1(1) of Schedule 15 so as to arrive no later than 14 days (or such longer period as its rules may require) before the meeting at which any such resolution is to be moved or, where proxy voting is permitted, before such earlier date as may be specified by the Society under its rules. The information pack about the Transfer, including the Member Statement, was sent on 31 October 2024 to every member identified by the Society as an eligible voting member, ahead of the annual general meeting held on 20 November 2024, and was therefore sent so as to arrive no later than the requisite number of days before the meeting at which the resolution was moved.

2.5. 23.5% of the members identified by the Society as eligible voting members voted on the special resolution in respect of the Transfer. 99% of the number of members voting voted in favour to approve the Transfer.

2.6. The Society confirmed in its application to the Authority for confirmation of the Transfer that the special resolution was duly passed.

2.7. The Transferee's Board of Directors also approved the Transfer on 24 September 2024 in line with the consent to that mode of proceeding granted by the Authority under section 86(3)(b) of the Act.

3. THE AUTHORITY'S CONCLUSIONS

3.1. Paragraph 8(1) of Schedule 15 to the Act provides that the Authority must confirm the Transfer **unless** it is precluded from doing so on any of the grounds specified in the Act ("**the Preclusion Grounds**").

3.2. The Authority consulted the FCA prior to taking its decision on whether to confirm the Transfer. The FCA did not object to the Transfer and its full response to the Authority's consultation was taken into consideration when assessing the Preclusion Grounds.

Preclusion Ground 1 "The Successor Factor"

- 3.3. Paragraph 8(2) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer if it appears to it that there is a substantial risk that the person taking the transfer will not be able lawfully to carry out the engagements to be transferred.
- 3.4. The Authority considered whether a) it is lawful for the Transferee to carry out the transferred business; and b) whether the Transferee is capable of carrying out the transferred business.
- 3.5. The Authority was not aware of any reason that the Transferee would be unable lawfully to carry out the engagements to be transferred. The Transferee holds the necessary permission under Part 4A of the Financial Services and Markets Act 2000 (“**Part 4A permission**”) (considered in Preclusion Ground 5) and there is no evidence that the transferred business significantly differs from the business that the Transferee currently carries out in such a way that would render the Transfer unlawful.
- 3.6. Based on the Authority’s supervision of the Transferee and the FCA’s supervision of the Transferee, the Authority was not aware of any matters related to the scale or nature of the Society’s business that would materially increase the complexity of the Transferee’s business, particularly given the relative scales of the businesses.
- 3.7. The Authority noted the Transferee’s experience of acquiring and integrating smaller similar friendly societies to itself and was not aware of any reason that the Transferee would not be capable of carrying out the transferred business.
- 3.8. All of the Society’s engagements with members were concluded in the United Kingdom and no members have notified the Society of having subsequently moved to states in the European Economic Area (or elsewhere).
- 3.9. The Authority finds that there is no substantial risk that the Transferee will not be able lawfully to carry out the engagements to be transferred and that **this Preclusion Ground does not apply**.

Preclusion Ground 2 “The Material Information Factor”

- 3.10. Paragraph 9(1)(a) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer if it considers that some information material to the members’ decision about the transfer was not made available to all the members eligible to vote.
- 3.11. The Authority considered whether a) the communication materials omitted any information material to the members’ decision about the Transfer; b) the communication materials were provided to all members eligible to vote; and c) whether any material information came to light subsequently.

- 3.12. The Authority is satisfied based on statements and assurances from the Society that the Member Statement contained all necessary information in accordance with the requirements of the Act.
- 3.13. The Authority noted that the Society provided additional material relevant to the Transfer, along with the Member Statement, in the information pack sent to its members. This material included the rationale for the transfer; an explanation of why the Transferee was appropriate; the impact of the Transfer on the Society's members; the opinion of the Society's Appropriate Actuary and details for requesting a copy of the full actuarial report; a summary of the key terms of the Transfer; and a FAQ document.
- 3.14. All members are eligible to vote except those aged under 18. The information pack was sent to all eligible voting members within the timeframe required by the Act in order that such members could review the materials in advance of the meeting at which the special resolution was moved.
- 3.15. The Authority is not aware of any material information that has come to light subsequently.
- 3.16. The Authority does not consider that information material to the members' decision about the Transfer was not made available to all the members eligible to vote and finds that **this Preclusion Ground does not apply.**

Preclusion Ground 3 "The Representative Vote Factor"

- 3.17. Paragraph 9(1)(b) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer if it considers that the vote on any resolution approving a transfer does not represent the views of the members eligible to vote.
- 3.18. The Authority considered whether a) the members eligible to vote have been identified correctly; b) the number of votes cast in favour of the resolution met the requirements in the Act and the Society's rules for it to be passed; and c) the vote is representative of the views of the members eligible to vote.
- 3.19. The Authority noted that the Society identified and sent the information pack to all eligible voting members. The number of votes cast in favour of the special resolution met the requirements in the Act for it to be passed, and the meeting at which the resolution was moved was quorate in accordance with the Society's rules. No representations have been received from members either by the Authority or by the Society itself, and there have been no other indications to suggest that the vote is unrepresentative of members' views.
- 3.20. The FCA confirmed it had not identified any other aspect of the process for approving the special resolution that it would consider to be materially unfair and/or

inconsistent with the FCA's rules or objective of ensuring an appropriate degree of protection for consumers.

3.21. The Authority does not consider that the vote on the special resolution approving the Transfer does not represent the views of the members eligible to vote and finds that **this Preclusion Ground does not apply.**

Preclusion Ground 4 "The Requirements Factor"

3.22. Paragraph 9(1)(c) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer if it considers that some relevant requirement of the Act or the rules of a friendly society participating in a transfer was not fulfilled.

3.23. The Authority has not identified any rules or relevant requirements of the Act that were not fulfilled by either the Society or the Transferee. The FCA has also confirmed that it is not aware of any requirements of the Act or of the rules of the Society or the Transferee that have either not been met or been subject to an approach consented to by the Authority (with FCA input).

3.24. The Authority notes that the Society complied with the requirements of Part 1 of Schedule 15 to the Act by sending the Member Statement to all eligible voting members, and that eligible voting members passed the special resolution approving the Transfer. The Authority further notes that the Transferee's Board of Directors approved the Transfer on 24 September 2024, in line with the consent to that mode of proceeding granted by the Authority under section 86(3)(b) of the Act.

3.25. The Authority does not consider that either the Society or the Transferee has not fulfilled some relevant requirement of the Act or its rules and finds that **this Preclusion Ground does not apply.**

Preclusion Ground 5 "The Permissions Factor"

3.26. Paragraph 11 of Schedule 15 to the Act provides that the Authority shall not confirm a transfer unless it is satisfied that there is no substantial risk that the transferee will not have the necessary Part 4A permission to enable it to carry on the business which it will have as a result of the transfer.

3.27. The Authority noted that the Transferee is authorised by the Authority to effect and carry out contracts of insurance in the class of 'Life and annuity' and a number of other classes. The engagements to be transferred fall within the 'Life and annuity' class of insurance business.

3.28. The Authority noted that the Transferee currently satisfies the Threshold Conditions (as set out in Schedule 6 to the Financial Services and Markets Act 2000) and that the Transfer was not expected to have any impact on the Transferee's satisfaction of those conditions.

3.29. The Authority finds that there is no substantial risk that the Transferee will not have the necessary Part 4A permission to enable it to carry on the business to be transferred and that **this Preclusion Ground does not apply**.

Preclusion Ground 6 “The Ability Factor”

3.30. Paragraph 12(a) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer unless it is satisfied that all the engagements included in the transfer may be transferred in accordance with the Act.

3.31. The Authority considered whether the Transfer is eligible for confirmation under the Act. The Act does not limit the engagements that may be transferred but does set out in section 86(1) the types of transferee to which a transfer of engagements may be made.

3.32. Section 86(1) of the Act provides that a society may, in relation to its engagements which constitute the carrying on of insurance business, transfer its engagements to any other person who is an insurer. Section 117(1) of the Act provides that “insurance business” means long term business and general business but, for the purposes of section 86, does not include the operations of a society whose benefits vary according to the resources available and which require each of its members to contribute on a flat-rate basis. Section 86(12) of the Act provides that, for the purposes of section 86, “insurer” means a person who has Part 4A permission to effect or carry out contracts of insurance.

3.33. The Authority noted that all the engagements included in the Transfer meet the definition of “insurance business”, and that the Transferee is authorised by the Authority with permissions to effect and carry out contracts of insurance and therefore comes within the meaning of “insurer”.

3.34. The Authority finds that all the engagements included in the Transfer may be transferred in accordance with the Act and that **this Preclusion Ground does not apply**.

Preclusion Ground 7 “The Members Factor”

3.35. Paragraph 12(b) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer unless it is satisfied that the transfer is in the interests of the members of each friendly society participating in the transfer.

3.36. The Authority noted the challenges the Society faced as set out in the report of the Society’s Appropriate Actuary and acknowledged the Society’s conclusion that it would be in the long term interests of the Society’s members to transfer the Society’s engagements to a larger organisation with economies of scale in managing both insurance and administrative costs.

- 3.37. The Authority noted that the report of the Society's Appropriate Actuary concluded that, on balance, the Transfer is in the interests of the members of the Society as a whole and will provide enhanced claim payouts in the majority of cases, more certainty of payouts and good governance with a focus on consumer duty outcomes. The Appropriate Actuary considered the alternative scenario of the Society pursuing a solvent run-off and found that challenges to this would include difficulty in reducing expenses in line with the run-off of the policies, the very long term of the run-off due to the whole life nature of the policies and the requirement to hold a minimum capital requirement which does not reduce as the business runs off, as well as the challenge of recruiting a new governance team in the very near future.
- 3.38. The Authority's assessment of whether the Transfer is in the interests of members considered the benefit security, benefit expectations, service standards and membership rights of the members of both the Society and the Transferee.
- 3.39. The Authority noted that through the Transfer the Society's members were offered greater benefit security due to the Transferee's financial position whilst improving or at least matching current benefit expectations in the long term. The Authority considered the potential impact of the Transfer on whole of life and endowment policyholders with policies moving to maturity or death claims in the short term and noted the FCA's view that, on balance, the Transfer is in their interests and represents a good outcome for them.
- 3.40. The Authority noted that the Transfer is not expected to have any material impact on service standards for policyholders or membership rights, noting that the loss of individual voting rights is offset both by the right to appoint deputies who attend and vote at general meetings of the Transferee, in line with other Benefit members of the Transferee, and by the other benefits of the Transfer (including, on balance, enhanced benefit security and benefit expectations).
- 3.41. The Authority noted that the report of the Transferee's Chief Actuary and With-Profit Actuary concludes that, overall, the Transfer is in the interests of the Transferee's policyholders and members. The Authority noted the opinions expressed in the report that benefit security would be enhanced through spreading expenses over a wider book of insurance business, there is not expected to be a material adverse impact on benefit expectations, service standards should not be affected, and there is not expected to be any material impact on membership rights by allowing the Society's members to have an allocation of deputies.
- 3.42. The Authority finds that the Transfer is in the interests of the members of each of the Society and the Transferee and that **this Preclusion Ground does not apply**.

Preclusion Ground 8 "The Solvency Factor"

3.43. Paragraph 15A(2)(b) of Schedule 15 to the Act provides that the Authority shall not confirm a transfer unless the relevant authority certifies that the transferee possesses the necessary margin of solvency after taking the proposed transfer into account.

3.44. The Authority noted the expected Solvency Coverage Ratio (“**SCR**”) of the Transferee before and after the Transfer and that it possesses the necessary margin of solvency in excess of the SCR, and issued a certificate of solvency on 24 January 2025.

3.45. The Authority is accordingly satisfied that the Transferee will possess the necessary margin of solvency after taking the proposed Transfer into account and finds that **this Preclusion Ground does not apply.**

4. REPRESENTATIONS

4.1. The Authority received no written representations nor any notice of intention to make an oral representation.

5. DECISION

The Authority has considered the application by The Kensington Friendly Collecting Society Limited for confirmation of the transfer of its engagements to The Independent Order of Odd Fellows Manchester Unity Friendly Society Limited, pursuant to section 86 of the Friendly Societies Act 1992, and, having had regard to the information available to it and having consulted with the Financial Conduct Authority as required under paragraph 11A(1) of Schedule 15 to the Act, has confirmed the transfer on 11 February 2025.

Redacted

For and on behalf of the Prudential Regulation Authority

05 March 2025

**Prudential Regulation Authority
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