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Dear Lord Stevenson,

Following the debate on the Corporate Insolvency and Governance Bill in Committee on Tuesday, I thought that it would be helpful to set out how the measures of the bill will apply to charities, social enterprises and credit unions, and where relevant their trading subsidiaries.

Most charities are very small (over 73,000 registered charities in England and Wales have annual incomes below £10,000). These smallest charities most often adopt the form of unincorporated associations or trusts, which have no incorporated legal personality and are outside the scope of this Bill and the measures it introduces for corporate structures. These charities may rely on the Charity Commission's published guidance on the proportionate approach it will take where charities decide they need to hold meetings electronically or defer meetings whilst covid-19 restrictions are in place.

Larger charities often choose to incorporate as a means of limiting the liability of trustees and members, and to give the charity a corporate legal personality. The most common form of incorporation for charities is as a company limited by guarantee (over 30,000 charities in England and Wales have adopted a company structure). The measures in the bill will apply to all charities incorporated as a company across the UK.

In the limited time available to prepare this emergency legislation we sought to ensure that the next largest group of incorporated charities would also be able to benefit from the relevant insolvency and AGM measures in the Bill. These are charitable incorporated organisations (over 21,000 in England and Wales, and 4,500 in Scotland - there are no CIOs in Northern Ireland). Scottish CIOs have their own specific insolvency framework set out in Scots law, so will not benefit from the changes to the insolvency provisions set out in the bill, but they will benefit from the bill's provisions on AGMs and electronic members' meetings. DCMS and Charity Commission officials have been closely involved in the development of the Bill, its application to CIOs and other charities, and the preparation of Regulations that will be needed to make technical modifications in the application of the Moratorium procedure to CIOs in England and Wales. Stakeholders, including NCVO and the Charity Law Association have been actively engaged.

A comparatively small number of charities are governed by an Act of Parliament or Royal Charter. In relation to the temporary AGM and electronic members' meeting provisions, in the

short time available it was not possible to specifically cover them in the Bill. As I said in Committee, in such cases the Charity Commission has already indicated in its published guidance that it will take a pragmatic and proportionate approach where members' meetings need to be postponed or held virtually in order to comply with social distancing, even where this may appear to be contrary to the rules of the charity's governing document. The Scottish and Northern Irish charity regulators have published similar guidance.

As you pointed out in the debate, many large charities (however structured) operate wholly owned subsidiaries structured as companies to undertake trading activities in order to generate income for their parent charity. I can confirm that such subsidiary companies will benefit from the measures in the bill.

You also asked specifically about social enterprises and credit unions. Social enterprises (some of which are also charities) are usually structured as companies, including Community Interest Companies, which will all benefit from the measures in the bill in the same way as other companies.

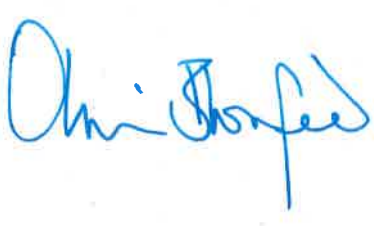
Credit unions will be able to avail of some of the measures contained in the Bill, including those relating to Annual General Meetings and other meetings. This will allow credit unions to continue to pass resolutions, where they are required for the effective running of the business.

With regard to the permanent measures introduced by the Bill, like some other financial services firms, credit unions will be excluded from the moratorium when they are in distress, and from the termination clause provisions both when they are in distress and when providing credit to another failing firm. This is to ensure that existing financial services legislation and the bespoke insolvency regime which applies to credit unions, which are in place to mitigate financial stability risks and to protect consumers, remain unaffected by the reforms. However financial services providers, including credit unions, will be able to make use of the new restructuring plan where the consent of the relevant regulator is provided.

I hope this will reassure you that we have sought to ensure that the bill covers charities, social enterprises, and credit unions wherever possible.

I am copying this letter to Baroness Anelay of St Johns, Lord Cormack, and Baroness Barker, who also spoke on these points.

I will also place a copy in the Library of the Lords.



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Lord Stevenson of Balmacara
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