



# Bank Resolution (Recapitalisation) Act 2025

## CHAPTER 15

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Explanatory Notes have been produced to assist in the understanding of this Act and are available separately

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## CHAPTER 15

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# Bank Resolution (Recapitalisation) Act 2025

## 2025 CHAPTER 15

An Act to make provision about recapitalisation costs in relation to the special resolution regime under the Banking Act 2009. [15th May 2025]

**B**E IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### 1 Recapitalisation payments

In Part 15 of the Financial Services and Markets Act 2000 (the Financial Services Compensation Scheme), after section 214D insert—

#### “214E Recapitalisation payments

- (1) The Bank of England may require the scheme manager to make a recapitalisation payment to the Bank or another person where the Bank has exercised or decided to exercise a stabilisation power under Part 1 of the Banking Act 2009 in respect of a financial institution so as to achieve—
  - (a) a sale of the institution to a private sector purchaser (see section 11 of that Act), or
  - (b) a transfer of the institution to a bridge bank (see section 12 of that Act).
- (2) A recapitalisation payment is a payment in respect of the Bank's estimate of—
  - (a) the costs likely to be required for the recapitalisation of the financial institution, and
  - (b) any other expenses that the Bank or a relevant person has incurred or might incur in connection with the recapitalisation of the institution or the exercise of the stabilisation power.

- (3) Before exercising the power in subsection (1), the Bank must consult the scheme manager.
- (4) A recapitalisation payment made by the scheme manager under subsection (1) is to be treated for the purposes of this Part as an expense under the compensation scheme.
- (5) In subsection (2)(b), “relevant person” means —
  - (a) the Treasury,
  - (b) a bridge bank, or
  - (c) an asset management vehicle.
- (6) In this section, “bridge bank” and “asset management vehicle” have the meanings given by sections 12 and 12ZA, respectively, of the Banking Act 2009.
- (7) In this section and in section 214H, “financial institution” means a bank, building society or investment firm (within the meanings of Part 1 of the Banking Act 2009).”

## 2 Reporting

In Part 15 of the Financial Services and Markets Act 2000, after section 214E (as inserted by section 1 of this Act) insert —

### “214F Recapitalisation payment: report

- (1) This section applies where the Bank of England requires the scheme manager to make a recapitalisation payment under section 214E.
- (2) The Bank must report to the Chancellor of the Exchequer about —
  - (a) the exercise of the power to require a recapitalisation payment to be made, and
  - (b) the stabilisation power and the stabilisation option to which the payment relates.
- (3) The report (“the final report”) must —
  - (a) comply with such requirements as to content, and
  - (b) be provided within such period or at such time, as the Treasury may specify.
- (4) The Bank must provide an interim report if —
  - (a) the period specified under subsection (3)(b) is a period of more than 3 months beginning with the day on which the Bank requires the recapitalisation payment in question (“the first 3 months”), or the time specified under subsection (3)(b) is after the first 3 months, and
  - (b) the Bank does not provide the final report within the first 3 months.
- (5) An interim report must —
  - (a) comply with such requirements as to content as the Treasury may specify, and

- (b) be provided within the first 3 months.
- (6) Subject to subsection (7), the Chancellor of the Exchequer must lay each report, and any interim report, before Parliament.
- (7) The Chancellor of the Exchequer may omit from the report, and any interim report, any information which the Chancellor of the Exchequer considers it would not be in the public interest to publish.”

### **3 Notification to Parliamentary Committees**

In Part 15 of the Financial Services and Markets Act 2000, after section 214F (as inserted by section 2 of this Act) insert—

#### **“214G Notification to Parliamentary Committees**

- (1) Where the Bank of England requires the scheme manager to make a recapitalisation payment under section 214E, the Bank must, as soon as reasonably practicable, notify in writing the chair of each relevant Parliamentary Committee that it has done so.
- (2) The relevant Parliamentary Committees are—
  - (a) the Treasury Committee of the House of Commons, and
  - (b) the Financial Services Regulation Committee of the House of Lords.
- (3) A reference to a committee in subsection (2)—
  - (a) if the name of that committee is changed, is to be treated as a reference to that committee by its new name, and
  - (b) if the functions of that committee (or substantially corresponding functions) become functions of a different committee, is to be treated as a reference to the committee by which those functions are exercisable.
- (4) Any question arising under subsection (3) is to be determined by—
  - (a) the Speaker of the House of Commons, in relation to committees of the House of Commons, and
  - (b) the Chairman of Committees of the House of Lords, in relation to committees of the House of Lords.”

### **4 Reimbursement in respect of recapitalisation payments**

In Part 15 of the Financial Services and Markets Act 2000, after section 214G (as inserted by section 3 of this Act) insert—

#### **“214H Reimbursement in respect of a recapitalisation payment**

- (1) The Bank must reimburse the scheme manager for any recapitalisation payment, or any part of a recapitalisation payment, relating to a financial institution, which is not needed to cover the costs and expenses mentioned in section 214E(2)(a) and (b) because—
  - (a) those costs and expenses were lower than the Bank expected,
  - or

- (b) the Bank recovers an amount in relation to the financial institution which it can use to defray those costs and expenses.
- (2) For the purposes of subsection (1) —
  - (a) the reference to the Bank recovering an amount in relation to the financial institution includes recovering an amount as a result of the sale of the institution or the institution being wound up or otherwise;
  - (b) where more than one recapitalisation payment is required in relation to a financial institution, references to a recapitalisation payment are to be read as references to the sum of those payments;
  - (c) the reference to the sale of a financial institution in paragraph (a) is to the sale of all or part of the business of the financial institution as part of, or as a result of, the achievement of a stabilisation option.”

## 5 Code of practice

In the Banking Act 2009, in section 5 (code of practice), after subsection (2) insert —

- “(2A) The code must include guidance on the contents of a report, and of any interim report, under section 214F of the Financial Services and Markets Act 2000 (recapitalisation payment: report).”

## 6 Amendments to the Financial Services and Markets Act 2000

- (1) The Financial Services and Markets Act 2000 is amended as follows.
- (2) In section 213 (the compensation scheme) —
  - (a) in subsection (5), after “claims” insert “or recapitalisation payments within the meaning of section 214E, as the case may be,”;
  - (b) after subsection (5) insert —
    - “(5A) The compensation scheme may not allow the scheme manager to impose levies on credit unions in relation to recapitalisation payments under section 214E.
    - (5B) In subsection (5A), the reference to “credit unions” is to credit unions within the meaning of —
      - (a) the Credit Unions Act 1979 (see section 31);
      - (b) the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)) (see Article 2).”
- (3) In section 223 (management expenses), in subsection (3), after paragraph (c) insert —
  - “(ca) under section 214E;”.
- (4) In section 223C (payments in error), in subsection (1), after “214B” insert “, 214E”.



## **7 Amendments to the Banking Act 2009**

- (1) The Banking Act 2009 is amended as follows.
- (2) In section 3 (interpretation: other expressions), in subsection (1), in the definition of “extraordinary public financial support” –
  - (a) omit the “or” at the end of paragraph (a), and
  - (b) at the end of paragraph (b) insert “, or
  - (c) any amount in respect of which the Bank of England may require a recapitalisation payment under section 214E of the Financial Services and Markets Act 2000.”.
- (3) In section 12AA (bail-in: sequence of write-down and conversion of capital instruments and liabilities), in subsection (2), in the definition of “the shortfall amount”, at the end insert “less the amount of any recapitalisation payment required under section 214E of the Financial Services and Markets Act 2000 in relation to the bank in question”.
- (4) In section 15 (share transfer instrument), after subsection (1) insert –

“(1A) Where the Bank of England requires a recapitalisation payment to be made under section 214E of the Financial Services and Markets Act 2000 in respect of a specified bank, a share transfer instrument may include provision requiring the specified bank to issue securities.”
- (5) In section 57 (valuation principles), after subsection (3) insert –

“(3A) In subsection (3), “financial assistance” includes any amount in respect of which the Bank of England may require a recapitalisation payment under section 214E of the Financial Services and Markets Act 2000.”
- (6) In section 58 (resolution fund), after subsection (2) insert –

“(2A) In subsection (2), “public financial assistance” includes any amount in respect of which the Bank of England may require a recapitalisation payment under section 214E of the Financial Services and Markets Act 2000.”
- (7) In section 78A (pre-conditions for financial assistance), at the end insert –

“(4) This section does not apply where the Bank of England has required, or decided to require, a recapitalisation payment under section 214E of the Financial Services and Markets Act 2000.”

## **8 Extent, commencement and short title**

- (1) This Act extends to England and Wales, Scotland and Northern Ireland.
- (2) Sections 1 to 7 of this Act come into force on such day as the Treasury may by regulations appoint.
- (3) Regulations under this section are to be made by statutory instrument.
- (4) This Act may be cited as the Bank Resolution (Recapitalisation) Act 2025.



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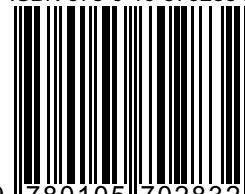
PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0333 202 5070

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

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