

CHAPTER 3

RULES FOR MEMBERS

MEMBERSHIP BASICS

As discussed above, **membership in a co-operative must be open to anyone who can use the services of the co-operative and is able to accept the responsibilities of membership.**

The **minimum number of members** for different level of co-operatives is as follows:

- primary co-operative – at least five individuals
- secondary co-operative – at least two primary co-operatives
- tertiary co-operative – at least two secondary co-operatives.

As explained above, members of a secondary co-operative can be “legal persons” (“juristic persons”) such as organisations.

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LIABILITY OF MEMBERS

Liability means financial responsibility for the debts of the co-operative.

“**Unlimited liability**” means that there is no limit to the financial responsibility of each member. If the co-operative is in debt for more than the value of all its property, then the individual members would have to reach into their own pockets to pay off the debts. A court could order the members to sell their personal assets to pay off the co-operative’s debts.

“**Limited liability**” means that the liability of individual members is limited in some way. If the co-operative is in debt for more than the value of all its property, then the liability of individual members will be limited to the *unpaid portion* of the nominal value of their shares.

Remember that the “nominal value” of shares in a co-operative is the value written on the share certificate. The “nominal value” of a share in a co-operative never changes.

All registered co-operatives in South Africa have limited liability.

But members will always be liable for losses caused by their own fraud or negligence (irresponsible actions).

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For example, suppose that your co-operative has debts of R10 000, but the value of all its money and property added together is only R5000. You hold shares with a nominal value of R100. You have already contributed R50 to the capital of the co-operative, but you still owe R50 for your shares. If the company or co-operative had unlimited liability, then you could be personally liable for the R5000 debt of the co-operative. You could be asked to sell your car or your house to help pay off the debt. But the liability of registered co-operatives is limited, so the most you could possibly lose is R50 – the amount you have not yet paid up for your shares.

WITHDRAWAL OF MEMBERSHIP

When a member withdraws, the co-operative must re-pay the nominal amount of that member's shares. But the co-operative can postpone this repayment for up to two years if immediate repayment might cause financial problems.

A member who withdraws from the co-operative is still liable for any debts to the co-operative, and must still honour any contract made with the co-operative. Withdrawal cannot be used to try to avoid duties to the co-operative.

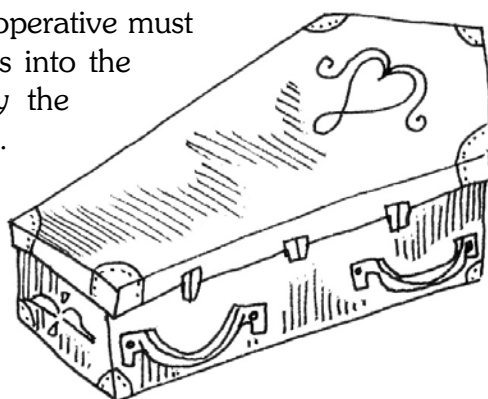
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DEATH OF MEMBER

The same rule applies **if a member dies**. The co-operative must repay the nominal amount of that member's shares into the deceased's estate, as well as any loans made by the deceased member to the co-operative (plus interest). But these repayments can be deferred for up to two years if immediate repayment might cause financial problems.

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WHEN MEMBERSHIP FALLS BELOW THE MINIMUM

If the number of members falls below the minimum number required for registration and remains too low for more than six months, then **the co-operative is automatically de-registered**. It must change itself into some other kind of legal body, such as a company, or be wound up. (These procedures are discussed below in Chapters 8 and 9.)

If the co-operative converts itself into another legal body, the Registrar must publish a notice of this change of status.

If the co-operative continues to carry out activities after this, then the members will become personally liable for the losses and damages of the co-operative. Limited liability no longer applies.

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