WSC Key Information

The following are the key differences between WSC and shares in a company:

- WSC is turned into cash by withdrawing the funds, not selling the shares
- WSC does not increase in value
- WSC does not give the member a share in the underlying value of their society
- Co-operative shares do not form the basis for the distribution of surplus
- Co-operative shares do not carry votes in proportion to the shares

Withdrawal not sale

There needs to be a mechanism for a member to realise (turn into cash) the value of their shares in a society. In companies, this is done by selling the shares to somebody else. Generally, in co-operative retail societies this is different, because the shares are not transferable. Instead, shares are withdrawable, and a member can realise the value of their shares by withdrawing the money held in shares from the society, subject to any restrictions contained in the society's rules.

No increase in value

Co-operative shares remain at the same (par) value. In other words, a member is entitled to their money back, but no more. This is different from a company, where the value of shares can increase or decrease. The reason for this difference is explained in the next point below (Underlying Value).

Underlying value

WSC does not give the member a share in the underlying value of their society, which is why WSC remains at the same value. By contrast, shares in a company do give shareholders a share in the underlying value of the company, which means that if the company was wound up whilst solvent, shareholders would receive a proportionate share of that underlying value (which might be more or less than what was paid for the shares). The model rules of UK consumer retail co-operative societies provide that on a solvent winding up, members are entitled to repayment of their WSC, but any remaining surplus after that is transferred to another co-operative society or Co-operatives UK. The rules of the Society provide that any remaining surplus upon winding up or dissolution of the Society, after discharge of liabilities and repayment of share capital, shall not be distributed to Members of the

Society, but shall be disposed of in such manner as may be decided by a general meeting of the Society.

Distribution of surplus

The primary mechanism for a co-operative to distribute surplus or profits is via a dividend to members in proportion to their trade with the society. Although a society can pay interest on share capital as compensation to the members for the use of their funds, such interest is not a mechanism to share profits. By contrast, in a company the payment of a dividend to shareholders is the primary mechanism for a company to distribute surplus or profits.

Democratic control

Co-operative societies operate on the basis of one member, one vote, not like companies where there is one vote per share. This means that greater power and influence cannot be achieved in a co-operative by owning more shares.