

Company registration – director appointment dispute procedure

Department for Business, Innovation and Skills

RPC rating: **fit for purpose**

Description of proposal

The proposal will provide a more effective process by which the Registrar of Companies can remove the details of a director's appointment from the register where there is no evidence that the person consented to being a director. Under the existing statutory procedure, companies can stop an application by a person to have their name removed from the register simply by objecting, without having to provide any evidence to support their objections. Section 102 of the Small Business, Enterprise and Employment Act 2015 provides for changes to the statutory procedure to ensure that an application to remove a director's details from the register can be prevented only where a company provides sufficient evidence (e.g. a director's signed service contract) to show that a person did, in fact, consent to being a director.

Impacts of proposal

The Department explains that the proposals would have an impact on businesses where a person objects to the fact that they are shown as a director of a company on the register. Over the last three years, Companies House data show that there have been 566 applications per year to Companies House claiming incorrect listing of an individual as a director.

Costs and benefits

The Department estimates the total annual cost to business from the proposal will be £6,900. This comprises:

- 1) Total familiarisation costs of £4,700 for businesses subject to a dispute. This is based on a director in each of the companies subject to a dispute taking 20 minutes to familiarise themselves with the adjusted procedure at a cost of £25 per hour; and
- 2) £2,200 total annual costs for the subset of companies (23 per year) providing evidence to the Registrar in the event of a dispute. This is based on a director taking half a day to deal with a request for evidence at a cost of £25 per hour.

The Department states that the proposal is likely to benefit individual directors by allowing them to resolve any problems with their listing in the register quickly. The Department explains that the change could also have a deterrent effect on future fraudulent or illicit activity that involves wrongful director appointments. To the extent that the procedure is successful at removing the names of people from the register incorrectly appointed as directors, the proposal will improve the quality of information available to people who use the register to inform investment decisions. The Department has been unable to monetise this benefit.

On this basis, the RPC is able to validate an estimated annual net cost to business of £0.01 million.

Quality of submission

The Department sets out clearly the costs to businesses generated by the proposal and uses conservative assumptions in addition to sensitivity testing to help take account of uncertainty.

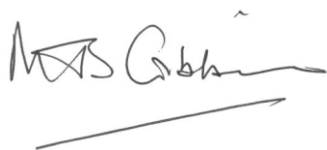
The IA explains that Companies House will incur some administrative costs processing and recording complaints as a result of the new procedure. However, the Department correctly identifies these costs to be out of scope of the framework as they are incurred by a public sector body. This assessment is accurate.

Initial departmental assessment

Classification	IN
Equivalent annual net cost to business (EANCB)	£0.01 million
Business net present value	-£0.06 million
Societal net present value	-£0.06 million

RPC assessment

Classification	IN
EANCB – RPC validated	£0.01 million
Small and micro business assessment	Not required (fast track low-cost regulation)



Michael Gibbons CBE, Chairman