



Department for  
Business, Energy  
& Industrial Strategy

# CORPORATE TRANSPARENCY AND REGISTER REFORM

Consultation on options to enhance the role of Companies House and increase the transparency of UK corporate entities

Closing date: 5<sup>th</sup> August 2019



**OGL**

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# Ministerial Foreword

The Government's Industrial Strategy sets out the importance of government and business working together to shape a stronger, fairer economy. It aims to make Britain the best place to start and grow a business, and a global draw for innovators. A new business starts up every 75 seconds, and we are home to five of the top 10 fastest-growing businesses in Europe. People looking to grow or relocate a business come to the United Kingdom confident in our high corporate standards.



The UK's prosperity is founded on being an open, liberal free-trading economy in which new businesses can be created easily; existing businesses can attract investment from our world-class financial system and investors can act with confidence in the quality of our corporate standards.

We are already an outstanding place to start and run a business<sup>1</sup>. We have globally recognised high standards of corporate behaviour. We are one of the most open economies globally and in London, the country has the world's leading financial centre for international business. We want to build and develop our company law framework to maintain and enhance these core principles that underpin the attractiveness of our economy. We want to do so in ways that minimise the additional burdens on business, particularly small and start up business, and use automated, smart technological solutions wherever possible.

Historically the transparency we require of UK corporate bodies is a consequence of those bodies being granted limited liability. In return for agreeing that the owners of a company are only responsible for any debts that company may incur up to the limit of their investment, the state has required disclosure of details about the constitution of a company, people who own it and the people who are responsible for day to day management.

Much of this information is publicly available, and free to access online. The UK is recognised as a global leader on corporate transparency. This transparency is one of the cornerstones of the UK's attractiveness as a location to set up and operate a business. It builds confidence and helps create an environment for growth.

Regrettably the same factors that make this system successful make it attractive to exploitation. By their nature, corporate entities are vulnerable to misuse. We know that they are used by criminals to facilitate economic crime and to launder the proceeds of crime. Recent years have seen concerns grow about the misuse of UK corporate entities, the filing of false information at Companies House, and the use of innocent people's information on the companies register to commit fraud and other acts of harm.

While the overwhelming majority of UK corporates operate wholly legitimately, there is more we can and should do to prevent the abuse of our company law framework. However, new regulation should target as far as possible the few rogue corporates and have minimum impact on the many. The recently published Financial Action Task Force evaluation of the UK's anti-money laundering regime rated the UK's corporate transparency regime as "substantially

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<sup>1</sup> <http://www.doingbusiness.org/en/rankings>

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effective”. It has some recommendations for improvement to our framework, which the reforms in this document will address.

This consultation explores whether we should require more information about the people registering, running and owning companies and other limited liability entities, as well as the entities themselves – though not all additional information will be made public. We are putting forward ideas for improved checks on that information, including reform of the statutory powers of the Registrar of Companies. We are setting out options for greater protection of personal information on the companies register. And this consultation also outlines reforms that will improve co-operation and data sharing between Companies House and UK Law Enforcement Agencies.

The potential reforms set out in this consultation would amount to the biggest changes to the UK system for setting up and operating companies since the UK company register was created in 1844. They will play an important part in safeguarding the reputation of the UK’s business environment and contribute to our Industrial Strategy. We need business, investors and society to have trust in a system which holds accountable the minority who transgress, protecting the interests and reputation of the majority. We also have a great opportunity, deploying the latest technology, to create a more informative, responsive and reliable companies register, to the benefit of its millions of business and other users every day.

A handwritten signature in blue ink that reads "Kelly Tolhurst". The signature is written in a cursive style with a horizontal line underlining the name.

Kelly Tolhurst MP  
Minister for Small Business, Consumers and Corporate Responsibility

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# General Information

## Purpose of this consultation

This consultation is about delivering a strong, transparent and attractive business environment in the UK – a key foundation of the Industrial Strategy. It seeks views on measures that will strengthen the contribution of Companies House in support of UK efforts to combat economic crime. The consultation considers reform to the information we require companies to disclose, increasing the checks on this information and measures to improve the exchange of intelligence between Companies House and UK Law Enforcement bodies.

For the purposes of this consultation, references to “Companies House” includes the functions, roles and responsibilities of the Registrar of Companies, as well as those functions conferred on Companies House by the Secretary of State.

Many of the proposals included in this consultation are principled, rather than specific measures aimed at limited liability companies. As such, we anticipate that many of the measures will have wider application, to other types of corporate entity where appropriate.

Views of other corporate entity types will be valuable and will allow more detailed consideration of which measures can, and should, apply to which corporate vehicles. For instance, we expect the new provisions to generally apply to any corporate body subject to disclosure obligations under the Companies Act 2006 (private and public limited companies, unlimited companies, unregistered companies and overseas companies – where the measures are relevant) as well as Limited Liability Partnerships and Limited Partnerships.

Similarly, many of the measures outlined in this consultation are aimed at individuals. Where we expect measures to apply to People with Significant Control and shareholders, we have specified this in the text. We have used the term “director” throughout this document, but we expect some measures to have wider application than just directors. For instance, in some cases we would expect measures to apply to members and partners. Again, we would be grateful for views on the wider application of these reforms.



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## Consultation details

**Issued:** 5<sup>th</sup> May 2019

**Respond by:** 5<sup>th</sup> August 2019

**Enquiries to:**

Business Frameworks Directorate  
Transparency and Trust Team  
Department for Business, Energy and Industrial Strategy  
1st Floor  
1 Victoria Street  
London  
SW1P 0ET

Email: [transparencyandtrust@beis.gov.uk](mailto:transparencyandtrust@beis.gov.uk)

**Consultation reference:** Corporate transparency and register reform

**Audiences:**

The views of the following people and organisations would be particularly useful:

- Directors of companies (and officers of other corporate entities; see note above)
- Company shareholders and the investor community
- Business representative bodies
- Trust and Company Service providers and other professional bodies
- Wider civil society groups
- Academics and think tanks
- Members of the public

**Territorial extent:**

The UK Government is responsible for the operation and regulation of business entities in England and Wales, and in Scotland. Previously, the Northern Ireland administration has agreed that, while the operation and regulation of business entities remains a transferred matter within the legislative competence of the Northern Ireland Assembly, amendments to the Companies Act 2006 and legislation regulating business entities should be made in the same terms for the whole of the United Kingdom.

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## How to respond

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome. Your responses can be made in three ways:

**Respond online at:** [Corporate transparency and register reform](#)

or

**Email to:** [transparencyandtrust@beis.gov.uk](mailto:transparencyandtrust@beis.gov.uk)

**Write to:**

Business Frameworks Directorate  
Transparency and Trust Team  
Department for Business, Energy and Industrial Strategy  
1st Floor  
1 Victoria Street  
London  
SW1P 0ET

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable UK and EU data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

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## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

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# Introduction

## The importance of the company registration framework

1. The Government's Industrial Strategy<sup>2</sup> sets out the importance of government and business working together to shape a stronger, fairer economy. Being the best place to start and grow a business is one of the five foundations for improved productivity that underpin our strategy. As the UK leaves the European Union, forging a new place in the world, we will remain an open, enterprising economy, built on invention, innovation and competition.
2. The strength of the UK's business environment is founded on our regulatory frameworks, a key element of which are those governing corporate entities. The UK expects and has a reputation for high standards of business behaviour and corporate governance, all the more important where entities that confer the benefits of limited liability are being used. Transparency and accountability over the use of corporate entities are essential to give business, investors and society confidence.
3. The balance between effective regulation and minimised burden is key to the success of our company framework. We are seeking to implement improvements to the business environment without significantly increasing burdens, especially on the small businesses that comprise so many of the UK's 4 million companies. This principle is at the heart of the proposals in this document. While we are seeking views on possible improvements, we are looking where possible to use technological solutions that offer the maximum reward for limited additional cost to business or government.
4. Since the Joint Stock Companies Act 1844, the UK's primary means of providing transparency and accountability over corporate entities has been the requirement for limited companies, and a growing list of other entities over time, to provide information to a central register. The three Registrars of Companies (for England and Wales, for Scotland, and for Northern Ireland), supported by the staff of Companies House UK, require a range of information to be submitted to them at the incorporation of a company or other entity, and updated on regular basis. That information is accessible to the public, and can provide vital information for anyone wishing to do business with that company, the general public, regulators and law enforcement agencies.
5. The companies register provides a wealth of information about business activity in the UK. As of 31 March 2018, the register included 4,033,355 limited companies, 146,544 other corporate entities (including 49,836 limited partnerships and 53,843 limited liability partnerships). It held information on 6,677,183 company directorships and 8,342,455 shareholders. Since 2016 it has also included information on those people, sometimes not direct shareholders, who exercise significant control over registered entities – commonly termed the 'beneficial owners'. Since 2015, almost all of this information has been accessible online, free and without delay. It was accessed over 6.5 billion times

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<sup>2</sup> Industrial Strategy: building a Britain fit for the future" <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>

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last year: evidence enough that the information is of great use to businesses and the public at large.

## Strengths of the UK's framework

6. Handling over 11.5 million filings each year, it is vital that Companies House offers an efficient and effective service if the ease of doing business in the UK is to be maintained. Companies House delivers that service well, with an overall customer satisfaction rate of 84%. In 2017/18 86.7% of all filings registered at Companies House were filed digitally, with 99% of applications to register a new incorporation being submitted electronically. At £12 per registration, fees are very low compared with many other jurisdictions<sup>3</sup>.
7. The work of Companies House, and the legal framework that underpins it, are well regarded around the world. Companies House has close ties with other company registries, with whom they regularly share expertise and experience, including sharing their experiences in developing the world-leading register of people with significant control. The UK ranks eleventh best out of 176 countries in Transparency International's (TI's) Corruption Perceptions Index 2018<sup>4</sup> and is the only G20 country to be rated as having a "very strong framework" on beneficial ownership transparency by TI in their updated April 2018 report<sup>5</sup> "Leaders and Laggards". In December 2018 the Financial Action Task Force (FATF) assessed the UK to have a substantially effective framework for transparency over corporate entities, in terms of preventing their misuse for money laundering and financing of terrorists. The UK was only the eighth country of those assessed to date to achieve this high a level of effectiveness in relation to corporate transparency. More broadly, FATF concluded that the UK has the strongest anti-money laundering system of over 60 countries it has assessed to date, reflecting the government's strong commitment to tackling money laundering.

## The case for reform

8. Nonetheless, in recent years concerns have grown that the UK's framework is too open to misuse. Concerns chiefly arise from four interrelated issues:
  - **Misuse of UK registered entities by international criminals and corrupt elites.** The overwhelming majority of UK companies are run for fully legitimate reasons, commercial or otherwise. But, as the UK's "National Risk Assessment"<sup>6</sup> acknowledges, companies are known globally to be misused for money laundering, and the risk of criminals seeking to launder money through UK and overseas corporate structures is assessed as high. For example, UK companies and partnerships have been linked to the Russian and Azerbaijan laundromat scandals. In addition, there have been cases of company

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<sup>3</sup> Average formation fee for electronic registration of a Private Limited Company is €115 in Europe, and €119 globally (International Business Registry Report 2017)

<sup>4</sup> [https://www.transparency.org/whatwedo/publication/corruption\\_perceptions\\_index\\_2018](https://www.transparency.org/whatwedo/publication/corruption_perceptions_index_2018)

<sup>5</sup> [https://www.transparency.org/whatwedo/publication/g20\\_leaders\\_or\\_laggards](https://www.transparency.org/whatwedo/publication/g20_leaders_or_laggards)

<sup>6</sup> <https://www.gov.uk/government/publications/national-risk-assessment-of-money-laundering-and-terrorist-financing-2017>

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names being registered which wrongfully suggest a connection to existing high profile companies: these are misleading and potentially harmful to the public. Such cases, though rare, raise questions about whether enough is known about who is really behind all corporate entities registered in the UK.

- **The accuracy of information held at Companies House.** Since 2015, almost all of this information has been accessible online, free and without delay and was accessed over 6.5 billion times last year. However, there are cases of false information being filed, often by accident but sometimes deliberately, and only being identified some time later. These include fraudulent audit reports, where companies falsely claimed that their annual accounts had been audited by well-known audit firms. They also include individuals being fraudulently appointed, or companies providing false addresses.
  - **The abuse of personal information on the register.** Since the move online in 2015, information about the 6.7 million company directorships has been easier to access. Not all personal information is made publicly available, and the government has taken action to protect directors' information further<sup>7</sup>. Nonetheless, company directors are a particular target for identity theft and individuals can also be at risk for other reasons, such as in cases of domestic abuse.
  - **The limited nature of cross checks between** Companies House and other public and private sector bodies. This can be abused by persons who report one set of information to Companies House and different information to other agencies and private sector bodies.
9. To some degree, the fact that these issues can be spotted is a sign of the framework's strength. A key benefit of having a public and freely-accessible register is that there are many eyes reviewing the data. Businesses, financial institutions, civil society groups, academics, journalists and the public at large all use the register, and are able to report any inaccuracies or suspicions. Companies House has made this easier than ever with the introduction of the 'Report it Now' function in July 2017, which offers a simple mechanism for anyone to notify their concerns to it. So, unlike many other jurisdictions, society at large is enlisted in policing corporate activity, and cases of abuse can be widely reported and debated.
10. Nevertheless, the government believes that now is an opportune time to review whether company transparency and registration in the UK can be strengthened further. A number of recommendations have been made as to how this could be done, including by the Financial Action Task Force, the OECD Global Forum for Transparency and Exchange of Information and Transparency International. Furthermore, Companies House is embarking on a major programme to update its systems, and complete its journey to a digital register, fit for the 21st century. Now is a good time to consider whether additional action needs to be taken, before those systems are finalised and implemented.
11. The government's vision is for a companies register built upon relevant and accurate information that supports the UK's global reputation as a trusted and welcoming place to do business and a leading exponent of greater corporate transparency. Under the prospective reforms in this document, we intend for Companies House to deliver an even stronger contribution to economic growth in the UK, whilst strengthening the UK's

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<sup>7</sup> The Companies (Disclosure of Address) (Amendment) Regulations 2018 (S.I. 528/2018)

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ability to combat economic crime. To improve the accuracy of information, we have considered best practice in the private sector and especially bodies that conduct most or all of their business online. Through the use of technological solutions, we believe it will be possible to keep burdens on the vast majority of law-abiding companies to a minimum and ensure that the UK continues to be one of the best places in the world to start and grow a business. The end result will be to the benefit of all business and public users of the companies register, and the reputation of the UK's business environment.

12. This consultation seeks views on a wide range of aspects of the company transparency and registration framework. It proposes reforms designed to deliver:
  - more reliably accurate information on the companies register, reinforced by identity verification of individuals;
  - effective protection of personal data;
  - high compliance rates backed by an effective and respected investigation and enforcement regime for non-disclosure and false filing offences;
  - the removal of technological and legal barriers to allow enhanced cross checks on corporate data with other public and private sector bodies;
  - continued investment in technology and the skills of Companies House staff to make the register more efficient, effective and resilient; and
  - broader reforms to clamp down on misuse of corporate entities.
13. The proposals in this consultation, if all implemented, would amount to the most significant reform of the UK's company registration framework since a register was first introduced in 1844. Some of the proposed reforms in this consultation would entail changes that go to the core of the Companies Act. For example, the proposal in Part A that a person should not be able to act as a company director unless their identity has been verified would amount to a significant change in the process by which a person becomes a director. Most of the measures outlined in this consultation will need primary legislation to enact, as well as significant changes to systems, processes and staffing at Companies House.
14. The government will need to introduce sanctions to support its new proposals and for those that try to circumvent the new procedures. Identity verification carries the risk of opening up new opportunities for fraud. As we develop the proposals further, we will need to consider fully the range of sanctions.
15. It is the government's intention that the reforms will generally apply to any corporate body subject to the disclosure requirements of the Companies Act 2006, where relevant (private and public limited companies, unlimited companies, unregistered companies and overseas companies) as well as limited liability partnerships and limited partnerships. Certain of the changes would also be relevant to those entities that will be captured under the provisions of the draft Registration of Overseas Entities Bill. For example, we would expect People with Significant Control of such entities and in some cases the managing officers to undergo identity verification.
16. Core to the success of the framework is striking the right balance between delivering adequate corporate transparency whilst protecting individuals' privacy. Reform will build

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in data protection principles from the outset, complying with data protection requirements, and the government will only take measures forward where they are clearly in the public interest and are proportionate.

17. The proposals in this paper would apply UK-wide. As some of the policy areas are transferred to Northern Ireland, we will work with the Northern Ireland Executive to consider the application of these proposals to Northern Ireland.



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# Summary of Proposals

18. **The government's vision is for a register built upon relevant and accurate information that supports the UK's global reputation as a trusted and welcoming place to do business and a leading exponent of greater corporate transparency.** We intend for Companies House to deliver an even stronger contribution to economic growth in the UK, whilst strengthening the UK's ability to combat economic crime. The end result will be to the benefit of all business and public users of the companies register, and the reputation of the UK's business environment.
19. To achieve this vision, the government is consulting on a wide range of potential measures. These would need significant legislative and operational changes to be implemented. This consultation sets out the proposals in five parts.

## **Part A: Knowing Who Is Setting Up, Managing and Controlling Corporate Entities (Chapters 1-5)**

20. In this part of the consultation, the government proposes that individuals who have a key role in companies should have their identity verified. This would apply to company officers (directors), People with Significant Control (PSCs) and those filing information. The government also considers whether more information should be disclosed about shareholders, including possible identity verification. We seek views on whether this should apply to all companies, or, as the government proposes, that identity verification undertaken by third parties under customer due diligence obligations can be accepted without requiring a duplicate check.
21. Drawing on emerging best practice it seems possible to introduce such identity checks with relatively few additional burdens. Doing so could enable linking of identities on the register. However, there would be significant consequences of such a move, including implications for the appointment of company directors. Important questions arise around the possible sanctions for failing to complete verification and consequent impact on company decisions. There are also important data protection issues.

## **Part B: Improving the Accuracy and Usability of Data on the Companies Register (Chapters 6-9)**

22. This part of the consultation sets out a series of proposed reforms that would deliver better quality information on the register. These include extending the powers of Companies House to query and seek corroboration on information before it is entered on the register and to make it easier to remove inaccurate information from the register. In addition, the government is proposing improvements to the process and delivery of annual accounts to Companies House. Small but important improvements to PSC requirements are proposed, and we also explain why the government intends to maintain the current approach to retaining records of dissolved companies.

## **Part C: Protecting Personal Information (Chapters 10 and 11)**

23. In this part, the government outlines how Companies House will store and control access to information if its proposals are adopted. We outline how personal information will be stored and accessed, the circumstances under which it may be disclosed and to whom. Under our identity verification proposals, access to the register will be carefully

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managed, allowing only identified or authorised persons to file information. New processes will be implemented for sensitive information to be protected. We set out proposals to allow directors some additional rights to suppress their information from public view.

## **Part D: Ensuring Compliance, Sharing Intelligence, Other Measures to Deter Abuse of Corporate Entities (Chapters 12 and 13)**

24. This part outlines how Companies House data on UK corporate bodies could be improved through cross checks against data held by other government and private sector bodies. The government wants to see the exchange of intelligence made easier in order to enable greater sophistication in identifying possible criminal behaviour. This will lead to faster identification of anomalies between data at Companies House and elsewhere. It will deliver more effective linking between different company records on the register and provide people searching the register with faster access to better information.
25. This part also seeks views on several related measures that might deter abuse of UK legal entities, including ending the business activities of limited partnerships which are being misused, imposing limits on the number of directorships any one individual can hold, disclosure of banking information and action to deter misuse of company names and addresses.

## **Part E: Implementation**

26. The final part addresses implementation issues. The proposals in this consultation, if implemented in full, would amount to the most significant reform of the UK's company registration framework since a register was first introduced in 1844, going to the core of the Companies Act. There are significant implications for Companies House operating model and approach. All of the services it provides will be modernised and transformed to provide a better service to customers.
27. Most of the measures outlined in this consultation will need primary legislation to enact, as well as significant changes to systems, processes and staffing at Companies House. There will be an impact on the fees levied by Companies House, though the government fully expects them to remain very low by international standards.

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# Part A: Knowing Who Is Setting Up, Managing and Controlling Corporate Entities

## Summary

This part of the consultation sets out why greater certainty over the identity of those shown as owning, running or controlling companies is needed, building upon an already strong foundation of corporate transparency in the UK. It shows how new technology offers the opportunity to obtain much greater assurance over identities and sets out far-reaching proposals to introduce identity checks for presenters who file information on the register, directors, People with Significant Control and, on a voluntary basis, shareholders. It sets out some of the important consequences of such an approach, including the ability for companies to appoint directors, and for users of the register.

**Chapter 1** sets out why the government believes there is a case for introducing identity checks. It summarises the extent of anti-money laundering checks over UK-registered entities and explains why Companies House should have responsibility for these new checks.

**Chapter 2** explores the mechanics of an identity verification process and how this should apply to companies which use professional third party agents, such as trust and company service providers and accountants. It also argues that additional information should be required of third party agents who are filing information.

**Chapter 3** explores in more detail how identity verification might apply to individual presenters, directors, and People with Significant Control. It explores whether it is realistic and proportionate to include all such individuals, and what the consequences should be for non-compliance.

**Chapter 4** proposes measures to require companies to collect and file more information about their owners and asks whether identity verification should be extended to some or all shareholders.

**Chapter 5** explains why identity verification will be a more effective way of linking records on the register than unique identifiers, powers for which were legislated for in the Companies Act 2006 but have yet to be used. It also sets out proposals to allow Companies House greater freedom in the extent to which it can use and disclose a director's residential address, to further support linking of identities on the register.

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# Chapter 1. The case for verifying identities

28. This chapter sets out why the government believes there is a case for introducing checks to verify the identities of individuals setting up, managing or controlling corporate entities. It summarises the extent of anti-money laundering checks over UK-registered entities and explains why the government thinks that Companies House should be given responsibilities for these new checks.

## The role of Companies House in knowing who is doing what

29. Setting up and running a company is a serious undertaking. The creation of a limited liability company offers the opportunity to pursue commerce with fewer risks: the owners of a limited liability company have the privilege of only being responsible for any debts that a company may incur up to the limit of their investment.
30. In return, the state requires disclosure of details about the constitution of a company, people who own it and the people who are responsible for day to day management. The Companies Act requires companies to disclose information about their directors, shareholders and People with Significant Control. Third party agents who set up companies also need to provide basic information about themselves.
31. Companies House undertakes numerous checks on the validity of information, both at incorporation and throughout the life of the company as new information is submitted. Companies House supports companies in filing the right information at the right time through effective communications and guidance, through timely reminders to companies that filings are due and through validation checks built into systems.
32. However, Companies House does not have, and has never had, the powers to confirm that the personal information provided about directors, shareholders, People with Significant Control, and presenters is true. That is in line with the historic function of Companies House – to record information, not to verify it.
33. Nonetheless, the vast majority of the personal information on the register is accurate. For example, law enforcement, the regulated sector and non-governmental organisations have estimated that the People with Significant Control register, in its first year of operation, achieved at least 95% accuracy. That is in the context of 3.8 million companies on the People with Significant Control register, with over 99.9% registering within the first year.

## The case for greater assurance over identities

34. Though the overall accuracy of the register is high, recent evidence suggests it is too open to abuse by a small minority. As set out in the Introduction, there are concerning cases of UK corporate entities being deployed by international criminal elements, of false claims that individuals are company directors, and provision of false information.

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Such activity, though rare, serves to undermine the reputation of, and trust in, the register as a whole. It undermines trust in other legitimate UK companies and is damaging to the UK's overall reputation.

35. The government has therefore been looking at what options exist to obtain greater assurance over the identity information provided to Companies House. In considering what more could be done and how it might be delivered, the government has sought out best practice both within wider government and the private sector from similar organisations that take information from private individuals, with the ethos it is made easy for the majority.
36. Identity checks are increasingly becoming more commonplace in the 21st century economy. More and more business is transacted digitally, and that includes interactions between citizens and businesses and government. New checks and safeguards are an important part of allowing the digital economy to flourish whilst protecting those taking part in online transactions.
37. Banking, and other sectors, are leading the way in deploying the latest technology to obtain greater assurance over the identity of potential customers or suppliers. For example, the online bank Monzo and KBC Bank Ireland use such technology to allow their customers to verify their identity using a smartphone. A key driver for most of the organisations doing this is having greater confidence in knowing who they are dealing with.
38. The introduction of similar identity checks within the company registration framework offers significant benefits, including in the reliability of information on the register, and in controlling access to the register. Overall trust in the register will improve if users have full confidence that only verified individuals are filing information on the register and that only verified individuals can be a director of, or file on behalf of, a company. It should help deter those that may seek to use UK companies for illicit purposes.
39. The benefits should be felt by all users of the register: businesses, academics, journalists, law enforcement agencies, civil society organisations and the general public. There will be better information on who is setting up companies, who is running them and who is filing information. As explained in Chapter 5, that information will be able to underpin better data on people with multiple roles across different companies.
40. An advantage of considering this question now is that new technologies can allow the UK to implement identity verification in a low-cost and light-touch way. Evidence gathered from informal consultation with leading companies so far suggests that considerably greater assurance can be obtained whilst ensuring ease of doing business is maintained.

## The role of anti-money laundering checks

41. In the UK, the EU and many countries around the world, governments require certain sectors of their economy that are most exposed to illegal or fraudulent transactions to carry out checks on their customers. These businesses must verify the identity of their clients and make an assessment of the potential risks of illegal intentions for the business relationship. Typically this covers banks, legal professionals, accountants, trust

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and company service providers and sectors with high value cash transactions (estate agents, casinos). Such checks are known as “customer due diligence” or “know your customer”. In the UK, these checks are mandated under the Money Laundering Regulations 2017<sup>8</sup> and supervised by one of a number of supervisory authorities, whose role it is to monitor the adequacy of anti-money laundering checks being carried out.

42. Customer due diligence obligations require businesses to identify their customers (and where appropriate any person owning or controlling the customer) to check they are who they say they are. In practice this means obtaining a customer’s:
  - name
  - photograph on an official document which confirms their identity
  - residential address and date of birth
43. Where a business has doubts about a customer’s identity, they must stop dealing with them until they are sure of their identity. They are required to take a risk-based approach, investigating more about a customer’s business dealings and relationships where they perceive the risk of money laundering to be greater.
44. Most UK companies will undergo such checks many times over their lifetime. This includes when they first open a bank account, and if they purchase real property. A company registered in the UK with a UK bank account or having used the services of a UK regulated professional service provider will have gone through customer due diligence checks that meet the high standards set out in the Money Laundering Regulations 2017.
45. A majority of UK companies will also go through customer due diligence checks on incorporation, because they are using a third party agent to do so. There are many different types of professional intermediary who can incorporate a company, or make filings to Companies House, and which are covered by the Money Laundering Regulations 2017. For the purposes of this consultation, we refer to “third party agent” to capture all types of professional intermediary providing such services, including accountants and trust and company service providers. These agents should all be registered with a supervisory authority, who will supervise the effectiveness of the customer due diligence checks being carried out. The remainder of incorporations comprise companies either set up directly through Companies House, with no agent employed, or through a presenter, such as a company secretary who is not covered by the Money Laundering Regulations 2017 and so not obliged to carry out customer due diligence. The majority of new incorporations still use a third party agent, although the proportion doing so has decreased as the incorporation process at Companies House has been simplified and increasingly performed online.
46. The existence of a direct route to incorporate companies without using third party agents does not undermine the strength of the system. As above, the great majority of these companies will pass through customer due diligence checks elsewhere. Also, evidence from UK law enforcement agencies and from civil society investigations suggests companies deployed in criminal activity are overwhelmingly using third party agents, wittingly or unwittingly, to help conceal their identities or their activities, and establish

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<sup>8</sup> <http://www.legislation.gov.uk/uksi/2017/692/contents/made>

greater distance between the company and those who are ultimately controlling or benefiting from it. As shown in Table 1 below, this is consistent with the fact that the vast majority of companies incorporated through the direct route are simple start-ups or family businesses, with on average one or two directors and two shareholders. The typical UK company is not a high risk entity.

**Table 1 – number of directorships, shareholders and People with Significant Control on the register and average per company**

<b>Involvement in a company</b>	<b>Numbers on the register and average per company</b>
<b>Total number of directorships on the register</b>	6,677,183
<b>Average number of directorships per company</b>	1.66
<b>Total number of shareholders on the register</b>	8,342,455
<b>Average number of shareholders per company</b>	2.17
<b>Total number of People with Significant Control on the register</b>	4,579,361
<b>Average number of People with Significant Control per company</b>	1.29

47. Nevertheless, the government recognises that the anti-money laundering framework as it applies to UK companies does have some weaknesses. In particular:
- Banks, accountants, company formation agents and others covered by the Money Laundering Regulations 2017 are not required to share the results of their customer due diligence work with Companies House. This means that inaccurate or false information could exist on the register, even where a third party agent knows this to be the case.

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There is a strong case for requiring these bodies to provide feedback to Companies House; an issue discussed in Part D of this consultation.

- Some UK-registered entities can avoid checks by UK regulated bodies by operating largely or exclusively overseas. Most of the cases of UK-registered entities being used in prominent international money laundering schemes have seen the entities registered in the UK but then set up bank accounts overseas. Though the activity and financial transactions may be taking place overseas, the involvement of a UK-registered entity is damaging to the overall reputation of the UK's business environment.

## The future role of Companies House

48. The government intends to address the issue of UK-registered entities being set up and used without any customer due diligence checks being carried out. A number of options exist, and indeed a number of bodies have made recommendations in this area<sup>9</sup>.
49. One option would be to force all companies to be set up through an anti-money laundering-regulated agent, or require a UK bank account to be established on incorporation. This would be in line with some other countries, which require the use of professional intermediaries. Some require the opening of a bank account as an intermediate stage in the incorporation process. Some use a court system for registration.
50. The potential downside of such an approach is a lengthy and expensive incorporation process. The trend internationally is for more and more jurisdictions to have processes which allow companies to be set up within 24 hours of an application being made. A swift and straightforward incorporation process is key to the UK's international ranking as one of the best places in the world to do business. Accountants and company formation agents charge an additional fee for an incorporation, on top of Companies House fees. Alternatively, requiring all companies to set up UK bank accounts would add complexity to the incorporation process, and would not be appropriate for those companies without need of a bank account, e.g. because they are dormant (there are currently around 700,000 dormant companies on the register). These considerations are particularly important given the comparatively large size of the UK's register (over 4 million companies) and the volume of new incorporations per year (over 600,000).
51. The government's preferred approach is to introduce identity verification into the incorporation and filing processes run by Companies House, which we explore further in the next chapter. Through this consultation we are seeking views on whether this is the right approach and what if any alternative or additional measures should be considered.
52. The great advantage of identity verification is that checks can be run throughout the lifetime of a company as new individuals take on ownership and management roles, not just on incorporation. This is particularly important in an economy as dynamic as the UK's, where companies can and do change hands frequently. A one off check such as the opening of a bank account is of limited value if the ownership and control of the entity changes. By introducing identity verification at the point of incorporation the government can have greater certainty about who owns and controls UK companies.

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<sup>9</sup> *Transparency International* in their report "Hiding in Plain Sight"<sup>9</sup> (November 2017),



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53. A further benefit of introducing identity checks at Companies House will include enabling it to better link the records of people with multiple roles across different companies, which is explained in more detail in Chapter 5. This in turn should enable Companies House to provide its customers with a more tailored service, including in time:
- more electronic, as opposed to paper-based, communications;
  - an improved signing-in experience across different devices, enabling people to see all their company appointments in one place and to update their information across all their companies at once;
  - the ability to better manage and control access to the register so that only trusted and identifiable persons can upload new information and false filing offences can be more easily linked back to the filer, which will further support a more accurate register.
  - In combination with the proposed additional powers to query and challenge information, the improved cross checks and feedback and the additional information that we will require companies to submit, identity verification will allow Companies House to provide a much richer level of data to law enforcement and other public authorities.
54. Alongside these significant benefits come two important caveats.
- Firstly, identity checks would primarily focus on the individual and not how that individual links to the company in question. Whilst the measure should act as a deterrent to filing inappropriate information on the register, it will not be a foolproof safeguard against false filings. However, where false filings did occur, Companies House would have much more information on the company directors and those that put the information on the register to pass to law enforcement for their investigations. However, the new powers proposed in part B will allow for more efficient removal of false information.
  - Secondly, whilst those using the register in their business dealings could place more reliance on it, they would still need to do their own due diligence checks appropriate to their needs.

**Q1. Do you agree with the general premise that Companies House should have the ability to check the identity of individuals on the register? Please explain your reasons.**

**Q2. Are you aware of any other pros or cons government will need to consider in introducing identity verification?**

**Q3. Are there other options the government should consider to provide greater certainty over who is setting up, managing and controlling corporate entities?**

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## Chapter 2. How identity verification might work in practice

55. This chapter explores the mechanics of an identity verification process and how this should apply to companies which use professional third party agents, such as trust and company service providers and accountants. It also argues that additional information should be required of third party agents who are filing information.

### What information would be verified

56. The objective of identity verification is to ensure that an individual is who they say they are (or are claimed by others to be). In introducing identity verification into company registration and filing processes, the government is minded to include as far as possible all individual directors, People with Significant Control and presenters (people connected with the company who file information about it on the register). Table 2 summarises current information requirements. Chapter 4 sets out the case for greater information requirements, and perhaps verification, over shareholders' identities. This chapter outlines potential reforms to increase the information requirements concerning third party agents, to underpin verification.

**Table 2 - current information requirements**

<b>Current Information Requirements</b>				
<b>Directors</b>	<b>Shareholders</b>	<b>People with Significant Control</b>	<b>Presenters (Paper)*</b>	<b>Presenters (electronic)</b>
<b>Forename(s) Surname</b>	<b>Name</b>	<b>Forename(s) Surname</b>	<b>Contact Name/Company Name</b>	<b>Valid email address**</b>
<b>Former Name(s)</b>	<b>Address</b>	<b>Country/State of residence</b>	<b>Address</b>	
			<b>Telephone Number</b>	
<b>Country/State of residence</b>	<b>Shareholding details</b>	<b>Nationality</b>		
<b>Nationality</b>		<b>Date of Birth</b>		
<b>Date of Birth</b>		<b>Service Address</b>		
<b>Business Occupation</b>		<b>Usual Residential Address</b>		
<b>Service Address</b>				
<b>Usual Residential Address</b>				

\* All presenter details on paper filings are voluntary

\*\*This information does not appear on the public record.

57. The information provided by individuals to verify their identity would not be publicly accessible. Access would be restricted to Companies House officials, and could be extended to law enforcement agencies on a case by case basis. Chapter 10 sets out the considerations around access in more detail.

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## How the process might work

58. As noted above, the government considers that identity verification offers the best dynamic system of checks over a company's lifetime. It will ensure that up to date information is held on individuals managing or controlling corporate bodies, even where ownership and control changes hands. It will provide a more comprehensive record of those supplying information, relevant where false information may have been supplied.
59. The government intends that the identity of individuals should be verified before they are added to the company register, and before updated information about existing individuals is changed on the register. New processes at Companies House, backed by new IT systems, will build in additional steps between the provision of information and the placing of it on the register. Since the process that is envisaged to check identities would be relatively quick and inexpensive<sup>10</sup>, this does not seem unreasonable.
60. Identity verification is essentially a two stage process: matching the individual to the identity; and then cross-referencing that identity to known data sources. The government has investigated approaches to identity verification which can range from a more traditional approach using an individual's credit history and existing records to more sophisticated facial recognition approaches cross-referenced with official identity documents, such as a passport or driving licence.
61. Those organisations that use identity verification typically cross-reference with sources such as (but not limited to) the electoral roll, Land Registry, UN Sanctions list, commercially provided Politically Exposed Persons lists, credit reference files etc. Informal exploration with identity providers so far suggests all use a broadly similar approach, the main difference being the number of data sources that are interrogated.
62. There are a number of organisations that are experienced in providing identity verification services. They already work closely with other government Departments and Agencies, law enforcement, banks etc. Some identity providers are able to verify the identity of billions of individuals from hundreds of countries from across the globe, checking against thousands of pieces of information, in minutes for less than a few pounds. Such a process is neither a significant burden nor time consuming and so would have little impact on the UK's attractiveness as a place to do business, while positively enhancing our already strong reputation.
63. Increasingly, these organisations use technology to check official identity documents against a photograph or video taken on a smartphone. Benefits of this option are that it can be done relatively quickly and cheaply and that it can be extended to individuals who are not UK nationals. A key consideration, however, is that it involves the collection and storage of biometric data. The section below entitled "Data Security Considerations" explores this in more detail.
64. The government will continue to explore the range of options that are available working with other leaders in this field across the public sector and industry to understand best practice whilst aiming to minimise the impact on companies and individuals.

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<sup>10</sup> Initial discussions with private sector providers indicate verification costs in the range of £2 - £6 per individual.

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**Q4. Do you agree that the preferred option should be to verify identities digitally, using a leading technological solution? Please give reasons.**

## Data Security Considerations

65. Of course, the government recognises that careful consideration will need to be given to the collection, storage and potential sharing of sensitive personal data provided for the purposes of verification. In particular, the possible collection of biometric data will be looked at closely. It represents a new departure for Companies House and will require new systems and processes to ensure such material is stored securely and protected.
66. As these proposals develop, government will work closely with its own information security experts to ensure compliance with the General Data Protection Regulation and the Data Protection Act 2018.
67. The government is aware that some people will be unable to verify their identity using the preferred approach because they do not have identity documents such as a passport or driving licence. There may be others that do not have access to smart phones or computers to be able to verify their identity digitally. The government will explore other avenues for them to undertake their identity checks using other methods e.g. using a legal professional.

**Q5. Are there any other issues the government should take into account to ensure the verification process can be easily accessed by all potential users?**

## Duplication: the role of third party agents

68. As already mentioned, third party agents are required by the Money Laundering Regulations to carry out customer due diligence checks on their customers, which includes verifying their identity. The government is not proposing to duplicate these checks, but would welcome views on this.
69. By focusing its attention on incorporations and filings from individuals and non-anti-money laundering supervised presenters, the numbers of individuals that would need to be verified by Companies House is reduced significantly. For example, at incorporation this means a reduction of about 50%.
70. However, this does risk putting some criminals outside of this regime: as UK law enforcement report that the companies it investigates for possible money laundering almost always use third parties as a barrier between themselves and the State.
71. We are confident that very few third party agents are complicit in such activities, and the vast majority are undertaking regular and thorough customer due diligence checks on their customers prior to incorporating companies or filing new information. To ensure that third party agents are carrying out adequate customer due diligence checks, the government proposes to require evidence that such checks had taken place including details of the identities checked.

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72. The evidence could be the output from a recognised identity provider and the sharing of copies of key identity documents to be stored securely. Thus, Companies House would have a complete secure record of the identity verification material for every director and Person with Significant Control, whether they use a professional agent or not.
73. This approach will enable Companies House to provide law enforcement agencies with verification details on request and in line with the process under which law enforcement can request other protected information from Companies House. We discuss data sharing in more detail in Chapter 12.

**Q6. Do you agree that the focus should be on direct incorporations and filings if we can be confident that third party agents are undertaking customer due diligence checks? Please give reasons.**

**Q7. Do you agree that third party agents should provide evidence to Companies House that they have undertaken customer due diligence checks on individuals? Please give reasons.**

## Requiring more information of third party agents

74. In addition to sharing evidence of customer due diligence checks having taken place, the government believes there is a case for requiring more information about third party agents. This will serve two purposes. It will better allow Companies House to contact agents to make enquiries about filings. And it will support the regulation of those agents, allowing Companies House to share more information about agents' activities with their regulators and supervisors under the Money Laundering Regulations 2017.
75. The government intends to require that additional information be provided by all third party agents, both on incorporation and on subsequent filings to Companies House. This will include fuller contact details, e.g. email addresses. It will also include details of the agent's AML supervisory body and AML registration number.
76. In future, Companies House will actively support the regulation of third party agents. The combination of requiring agents to provide more information about themselves and to supply evidence of customer due diligence checks will address concerns about those companies that use third party agents to put a barrier between themselves and the state. The information provided by agents will potentially be shared with anti-money laundering supervisory bodies and law enforcement agencies, to help ensure agents' compliance with the Money Laundering Regulations 2017.

**Q8. Do you agree that more information on third party agents filing on behalf of companies should be collected? What should be collected?**

**Q9. What information about third party agents should be available on the register?**

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## Chapter 3. Who identity verification would apply to and when

77. This chapter explores in more detail how identity verification might apply to presenters, directors, and People with Significant Control. It explores whether it is realistic and proportionate to include all such individuals, and what the consequences should be for non-compliance.
78. As set out in Chapter 1, and explored further in Chapter 5, an important benefit of introducing identity verification is the potential to better link the same individual across their roles in different companies (including both for live and historic appointments). Therefore, the government's starting position is that as many individuals as possible whose name is on the register should be required to verify their identity.

### Directors

79. The government believes that all directors should be required to verify their identity as they are responsible for the day to day running of the company. The benefits of identity verification set out in Chapter 1 will not be achieved without doing so.
80. The government believes that the most effective way to ensure compliance is to prevent any unverified individual from being appointed as a director. We propose that if, on incorporation, any of the prospective directors of a company are unable to verify their identity then Companies House will not incorporate the company. For individuals looking to be appointed as a director to an existing company the government proposes to amend the law to make an appointment of a director conditional on the director being able to verify their identity. The government will consider how the proposals will extend to corporate directors.
81. To support the proposals to mandate identity checks for directors, government proposes to amend the law so that when a registered company purports to appoint a person whose identity has not been verified, an offence will be committed. The situation at incorporation stage is different, as the appointment of the director is not given legal effect until Companies House registers the incorporation documents.
82. A potential unintended consequence here is a rise in unappointed directors. Rogue companies may seek out and use genuine people to be the legitimate face of a company, but others then act behind the scenes to carry out fraudulent activity. The Companies Act 2006 provides that a person who occupies the position of a director can be liable as a director, regardless of whether they are named or registered as such. Nominee directors (those that are appointed as a director but take instruction from another person) are at risk of contravening their obligations as a director to act independently and in the best interest of the company.

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**Q10. Do you agree that government should (i) mandate ID verification for directors and (ii) require that verification takes place before a person can validly be appointed as a director? Please set out your reasons**

## People with Significant Control

83. People with Significant Control transparency requirements have been in place since 2016 and have made the UK a recognised world leader in beneficial ownership transparency<sup>11</sup>. The government has already taken action to expand and strengthen the requirements since 2016<sup>12</sup>. Companies House now holds data on over 4.6 million People with Significant Control.
84. The government proposes to introduce identity verification to People with Significant Control. This will help ensure the accuracy of the data, an area the government has committed to act on following recommendations from the Financial Action Task Force<sup>13</sup>.
85. However, People with Significant Control are often removed from the day to day running of the company and requiring them to confirm their identity will bring challenges. While desirable, the implications will need careful consideration.
86. The government believes that responsibility for verifying the identity of People with Significant Control should rest with them. Under current rules, it is a director's responsibility to file People with Significant Control information on behalf of the company and if they do not provide this information, it is the directors that will have committed an offence. The government does not think that it would be fair or workable to extend these director's responsibilities to also ensuring verification of the identity of People with Significant Control. Rather, responsibility must rest with People with Significant Control themselves.
87. That then raises the question of what an appropriate sanction would be for People with Significant Control who do not verify their identity. Unlike directors, the verification of People with Significant Control will typically take place after individuals have become People with Significant Control. For example, they have purchased shares in a company and passed one or more thresholds of significant control for that company or a parent of it.
88. The government is clear that any sanction should fall on the individual PSC and not the directors of the company. Any attempt by the government to intervene in the process or arrangements under which a person became a PSC could have dangerous and far-reaching impacts. It could put at risk mergers and takeovers of blameless companies, and harm capital markets.
89. One option would be the introduction of a criminal offence. This would build on the offences that already exist where People with Significant Control refuse to provide

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<sup>11</sup> [https://www.transparency.org/whatwedo/publication/g20\\_leaders\\_or\\_laggards](https://www.transparency.org/whatwedo/publication/g20_leaders_or_laggards)

<sup>12</sup> The Information about People with Significant Control (Amendment) Regulations 2017 (S.I. 2017/693)

<sup>13</sup> <http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-united-kingdom-2018.html>



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companies with information requested of them. However, this would be difficult to enforce where People with Significant Control are resident overseas.

90. An alternative would be to make People with Significant Control verification voluntary, but to flag unverified PSCs on the face of the companies register. Or flagging could be combined with criminal sanctions. Part B discusses the potential for Companies House to be given more powers in this regard.
91. We will need to consider how these principles apply to companies owned and controlled by legal entities, as opposed to individuals.

**Q11. How can verification of People with Significant Control be best achieved, and what would be the appropriate sanction for non-compliance?**

## Presenters

92. Information on companies may be filed at Companies House by a range of individuals. They may be people connected with the company, such as a director or some other employee (in the context of filing information, we have referred to all such individuals as “presenters”). Alternatively, information may also be filed by third party agents (professional intermediaries who provide such services, including accountants and trust and company service providers, who should be registered with a supervisory authority).
93. In many cases, Companies House does not know who is filing on behalf of a company. At present, when a company is incorporated online, a company specific authentication code and password is given to the presenter or third party agent and required when details are filed for that company. People who obtain these credentials are free to share them so that they can be used by any person. On paper, an agent must sign a statement of compliance. The Companies Act 2006 requires third party agents to state their name and address when registering a company on behalf of subscribers, but in practice this is often inadequate for the purposes of contacting them because incomplete details may be provided.
94. The government considers that presenters should be required to verify their identity, unless the presenter is a company director who has already verified their identity. This will help Companies House to know who is filing information and to have more and better information about them. This will also deliver greater security of information and prevent unauthorised access (and filing). Third party agents would not be required to verify their identity as they are a regulated profession. However, the government proposes to collect additional information from agents (see Chapter 2).
95. If a presenter is unable to verify their identity Companies House will not accept the filings and therefore they will be unable to file the information.

**Q12. Do you agree that government should require presenters to undergo identity verification and not accept proposed incorporations or filing updates from non-verified persons? Please explain your reasons.**

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## Application to existing directors and PSCs

96. The government will need to consider how best to apply identity checks to the existing 6.7 million directors and 4.6 million People with Significant Control on the register. Data held on historic presenters will not be retrospectively verified.
97. The government considers that it would be preferable for all individuals still in active roles to be verified. One option would be to require all existing live company directors and People with Significant Control to verify their identity in line with the new requirement. In addition, Companies House could be given powers to ask directors and People with Significant Control that are going through verification for new appointments to state any previous appointments to enable them to be linked.
98. In practical terms, most companies on the register tend to be small, with the same individual holding the role of director, PSC and shareholder. Therefore, when an individual confirms their identity as their role of director we would by default be capturing them in their capacity for other roles in the company. The systems Companies House develop would need to recognise these links across all their different roles with one or more companies.

**Q13. Do you agree with the principle that identity checks should be extended to existing directors and People with Significant Control? Please give reasons.**

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## Chapter 4. Requiring better information about shareholders

99. This chapter proposes measures to require companies to collect and file more information about their owners and asks whether identity verification should be extended to some or all shareholders.

### Existing requirements and their limitations

100. Companies House currently collects subscriber/shareholder information at several points in a company's lifetime. This stems from a requirement for a company to keep a register of its members (i.e. shareholders) and to make the information available for inspection. When applying for incorporation, the initial subscriber(s) must state their name and address (which does not need to be their usual residential address) and the number of shares to be taken by each subscriber. On incorporation, the subscribers become the members of the company and must be entered as such in its register of members. A company must then keep its register of members up to date and include in its annual confirmation statement to Companies House details of any changes to the information that has been previously filed.
101. Information filed on confirmation statements about shareholders is very limited. For companies whose shares are traded on a relevant market<sup>14</sup>, the information must include the name and address and any changes to the shareholdings of shareholders with 5% or more of any class of issued shares. For companies whose shares are not traded, the information covers the name of the shareholder and any changes to their shareholdings, regardless of the number of shares held. The vast majority of companies on the register are non-traded and Companies House therefore currently only receives the shareholder's name and the number of shares held, or transferred, by each shareholder.
102. As a result of this lack of information, it is currently difficult to link shareholdings in different companies to an individual. Many shareholders own shares or are directors in multiple companies.
103. An additional difficulty is the lack of consistency in shareholder information on the register. The Companies Act 2006 does not define what constitutes a name or an address for a shareholder, though names and certain addresses are defined elsewhere in the 2006 Act e.g. for directors and service addresses.
104. In summary, information filed about the shareholders of a company is not sufficient to enable Companies House to show the companies owned (in full or in part) by an individual. This makes it more difficult for third party searchers of the register to easily find out all the entities on the register with which a person is involved.

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<sup>14</sup> A recognised investment exchange as defined in the Financial Services and Markets Act 2000 and any other market which is a regulated market which is not an overseas investment exchange.

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## Collecting more information about shareholders

105. The government would like third parties who use the register to be able to build as complete a picture as possible of a person's trading history. This will make the register even more transparent and will help those wishing to enter into business with companies to carry out due diligence based on a person's trading history. This proposal complements the separate improvements to linking on the register set out in Chapter 5. The register should enable someone to easily find out the limited liability entities which an individual is involved with, regardless of whether their role is a company officer, a PSC and/or as a shareholder of a company.
106. In order to do this, Companies House would need to have information about the person's name, usual residential address and date of birth. For a corporate shareholder, the required information would comprise the corporate or firm name and the registered or principal office.
107. The government is therefore proposing that a company will be required to collect this information and enter it into its register of members, before submitting it to Companies House. The information would need to be filed as part of an incorporation application (for subscribers) and when there is a change in shareholder details. Companies would be required to file changes on the register in the same time period (14 days) as they are currently required to file updates to information about directors and People with Significant Control. Companies would be required to confirm that their shareholder filings are up to date as part of the annual confirmation statement, in the same way they are required to confirm most of their other information is up to date.
108. This requirement would apply to non-listed companies. Where the company's shares were traded on a relevant market, the information would only be required if a shareholder has at least 5% of shares. It would not apply to a company which is a DTR5 issuer<sup>15</sup>.
109. The additional personal information submitted to Companies House about individual shareholders will be protected, as set out in more detail in Chapter 10. Consideration will also be needed regarding access to personal information held on a company's own register of members.

**Q14. Should companies be required to collect and file more detailed information about shareholders?**

**Q15. Do you agree with the proposed information requirements and what, if any, of this information should appear on the register?**

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<sup>15</sup> A DTR5 issuer is an issuer of shares to which Chapter 5 of the Disclosure and Transparency Rules Handbook made by the Financial Conduct Authority applies.

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## Making it easier to see all the owners of a company

110. An additional issue which has been raised with the government is the difficulty with which a third party can use the register to identify all members of a company. Until 2016, companies whose shares were not traded were required to include the names of all their members (and the number of shares they held) in the annual return at least every three years. The Small Business, Enterprise and Employment Act 2015 replaced the annual return with a new confirmation statement.
111. One of the principles behind the confirmation statement is that companies should not be required to resubmit information which has already been filed on the register. Therefore, the confirmation statement replaced the earlier requirement with a requirement for companies to notify changes in the company's membership since the last statement. The government has received complaints that this change has made it more difficult for third parties to find out who all the members of a company are. Companies House will therefore make it easier for those who use the register to see all the company's members in one place.

## Extending identity verification to certain shareholders

112. The measures outlined in this chapter will allow Companies House to collect more information on all shareholders, so that the register can show a more detailed picture of a person's role in limited liability entities. This raises the question as to whether some or all shareholders should undergo identity verification in order to provide more assurance over the information provided.
113. Identity checks for shareholders would have a greater impact on shareholders of large companies than small companies. The average number of shareholders per company on the register currently stands at 2.17<sup>16</sup>. In most small companies, who form the vast majority of the register, a shareholder is also a PSC (as one threshold is a shareholding of more than 25%). These individuals will be asked to verify their identities, as set out in Chapter 3. However, where companies are larger, shareholders are more likely to be small investors who exert little or no control over the company. Mandating identity checks for all shareholders could make investment platforms such as crowdfunding less attractive for casual investors. So, the government does not intend to mandate identity verification for all registered shareholders.
114. The government believes that a reasonable way forward is to make identity verification optional for shareholders, but to introduce flags on the register where shareholder identities have not been verified. The government believes this will still provide useful additional assurance over the register. Companies that opt to verify their shareholders alongside the directors and People with Significant Control will be able to provide more assurance through the register to those doing business with them. An alternative could be to mandate checks for shareholders above a certain ownership threshold.

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<sup>16</sup> Companies register activities: statistical release 2017 to 2018

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**Q16. Do you agree that identity checks should be optional for shareholders, but that the register makes clear whether they have or have not verified their identity? Please give reasons.**

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## Chapter 5. Linking identities on the register

115. This chapter explains why identity verification will be a more effective way of linking records on the register than unique identifiers, powers for which were legislated for in the Companies Act 2006 but have yet to be used. It also sets out proposals to allow Companies House greater freedom in the extent to which it can disclose a director's residential address, to further support Companies House's services.

### Why identity verification is superior to unique identifiers in linking information

116. It is sometimes difficult for people who use the register to find out which limited liability entities a person is, or has been, involved with, particularly where the person has a relatively common name. The 2006 Act (section 1082) contains a power to introduce unique identifiers for directors and secretaries. This power was intended to be used to enable those who inspect the register to distinguish between individuals with the same, or similar, name. To date, this power has not been used but the government has considered whether it would be beneficial to include unique identifiers as part of this package of proposals.
117. To implement unique identifiers, Companies House would need to assign them to existing company officers (i.e. directors and secretaries) on the register and on the appointment of new company officers. A unique identifier would take the form of a unique number, generated by Companies House systems. The company officer would then need to use this each time they are appointed to a company. A person who has multiple existing and past appointments could receive a separate unique identifier for each appointment unless Companies House could be confident it is the same individual.
118. As a result, the success of unique identifiers would rely on individuals proactively engaging with Companies House to ensure they only have one unique identifier which links all their appointments. Whilst some would, we envisage many would not as they might like having one unique identifier per company or might not care.
119. The government has concerns as to whether the existing power in the 2006 Act would be effective in implementing unique identifiers. The 2006 Act only allows for public unique identifiers, which would be available for all to see. Given concerns about identity theft, it would be preferable for them to be private, kept between Companies House and individual directors, to avoid others misusing them. The 2006 Act also only provides for unique identifiers for directors and secretaries; ideally, they would be extended to People with Significant Control to ensure greater corporate transparency.
120. The government believes that, rather than introduce unique identifiers, a better solution would be to use a person's verified identity to link their appointments on the register. As described in chapter 2, identity verification would confirm an individual's identity and would give Companies House a degree of assurance in linking appointments to this confirmed identity. An individual's various activities, even over multiple companies, would be connected through a single verified identity record, meaning there would be no need for additional unique identifiers to be generated, stored and disclosed.

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121. This should result in much better and accurate linking of activity, making implementation more straightforward and providing better value for money. However, if there is insufficient support for the proposals in this consultation on identity checks, the government will reconsider whether to introduce unique identifiers.

**Q17. Do you agree that verification of a person's identity is a better way to link appointments than unique identifiers?**

## Disclosure of Usual Residential Addresses

122. The 2006 Act (sections 240 to 246) introduced a new general protection of directors' Usual Residential Addresses on the register. As part of this, section 242 prohibits Companies House disclosing residential address information subject to certain limited exceptions.
123. As part of the transformation of Companies House's services there could be instances where it would be necessary to disclose residential addresses – for example, to contractors engaged in providing core services on its behalf or make more use of cloud-based services. The government therefore believes that it will be necessary to amend the disclosure requirements to allow disclosure to more parties than at present (law enforcement and credit reference agencies). However, such disclosure would be in very limited circumstances and in line with data protection legislation.
124. The aim will be to ensure that Companies House has the necessary authority to take a more proactive approach to managing register information, transforming existing services and developing new services. This will also apply to residential address information of People with Significant Control and of shareholders under the enhanced shareholder information proposed earlier.

**Q18. Do you agree that government should extend Companies House's ability to disclose residential address information to outside partners to support core services?**



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# Part B: Improving the Accuracy and Usability of Data on the Companies Register

## Summary

This part of the consultation sets out other potential reforms that would improve the integrity of information at Companies House, building on those set out in Part A. There are two themes: reforms that would allow Companies House more discretion to question the information submitted to it and amend or remove information after it has been registered; and reforms to the information disclosed that will improve the utility of the information for those accessing company records.

**Chapter 6** sets out why the Government believes there is a case for granting Companies House more flexibility before and after new information is entered on the register. It proposes that Companies House should have the powers to seek further information before accepting a filing. And it proposes that Companies House should have more administrative flexibility to change or remove information on the register.

**Chapter 7** considers the financial information submitted by companies. It proposes introducing a more uniform format for the submission of accounts to allow for automated checks and improved statistical analysis on accounts. It addresses a known issue that has been exploited to delay submission of accounts.

**Chapter 8** discusses the ability of third parties to obtain information about who owns and controls companies where there is an exemption from the People with Significant Control requirements. It proposes that Companies House should collect some further basic information which would enable third parties to obtain this information more easily.

**Chapter 9** considers whether it is still appropriate to keep dissolved company records on the register for 20 years from dissolution and sets out why the Government does not intend to change this policy.

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## Chapter 6. Reform of powers over information filed on the register

125. This chapter sets out why the government believes there is a case for granting Companies House more flexibility before and after new information is entered on the register. It proposes that Companies House should have the powers to seek further information before accepting a filing. And it proposes that Companies House should have more administrative flexibility to change or remove information on the register.

### The case for stronger powers to question or amend information

126. Companies House was set up in a different era as a repository for company information. It has existed for over 175 years and the role and statutory duties of Companies House have remained largely unchanged. The primary obligations in the UK company law regime fall on companies and their officers. They are set out in the Companies Act 2006 and its predecessors.
127. The primary role of Companies House is not to audit or verify information but to take information from companies and make it available to searchers of the register. A number of automated checks are carried out on filings and all new incorporations are also scrutinised by an examiner. The vast majority of companies on the register are law abiding and to date this approach has been fit for purpose. Historical data sampling has returned accuracy rates around 90% accurate.
128. Following the advent of free data in 2015, there has been ever greater scrutiny of the data held at Companies House. The register was accessed over 6.5 billion times last year. As set out in this consultation's introduction, the very openness of the register has led to more questions about the reliability of the data on it. While the number of reports of inaccurate data from third parties remains extremely low, under this extensive scrutiny Companies House is increasingly being alerted to issues on the register. They include:
- companies filing inaccurate information e.g. audit reports;
  - companies set up to trade on the good name of others;
  - companies using addresses they are not entitled to use for their registered office;
  - companies appointing individuals that have no association with the company;
129. As a result, the government believes there is a case for extending the powers of Companies House, to better ensure the accuracy and reliability of information on the register. This would mean moving away from its traditional role of accepting information and dealing with inaccuracies when notified at a later date, towards a more proactive approach of querying information before it is registered.

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## Checking information before its entry onto the register

130. Companies House has been moving in this direction already, within the envelope of its current powers and remit. It has intensified its work and co-operation with law enforcement to help ensure inaccurate or fraudulent information is spotted as early as possible.
131. Companies House has worked in recent years to improve knowledge of its work with private sector customers, especially banks. It has sought to encourage feedback on data discrepancies through simple automated measures and increased awareness. It is working more closely with law enforcement agencies, sharing data where it is appropriate and lawful to do so. This is distinct from requirements under the EU's Fifth Money Laundering Directive for obliged entities under the Money Laundering Regulations 2017 to report discrepancies between the information they hold on the beneficial owners of their customers – PSCs in the case of the UK's regime – and information shown on the UK's public PSC register. The government is consulting on the transposition of this Directive<sup>17</sup>.
132. However, the government believes there is a case to give Companies House more statutory discretion to query and check information, before that information is placed on the register. This will be assisted by Companies House further developing functionality in its systems to identify suspicious activities on the register. In addition to using Companies House's own knowledge of the register, this functionality will be built up by utilising risk factors provided by law enforcement and government partners, as well as civil society. This "risk engine" will incorporate machine learning and use new analysis techniques to assess information provided by companies at point of delivery to identify information that may be fraudulent or incorrect.
133. This processing of information will not impose further burdens on those honest and law-abiding companies which comply with their statutory disclosure obligations, or reduce the excellent standard of service currently provided. For the vast majority of companies that file accurate information, Companies House' systems and processes will remain focused on enabling them to do so quickly and easily. But Companies House would also have the power to ask for further evidence, where appropriate. Examples of where this might happen include:
- where a company files information that represents a significant change from its previous status, such as a significant increase in share capital, this may be queried;
  - where a company claims an exemption from filing full accounts, Companies House might request proof that the company is entitled to the exemption; and
  - where a company uses a registered address, Companies House might seek confirmation of the right to use that address (see chapter 13).

**Q19. Do you agree that Companies House should have more discretion to query information before it is placed on the register, and to ask for evidence where appropriate?**

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<sup>17</sup> <https://www.gov.uk/government/consultations/transposition-of-the-fifth-money-laundering-directive>

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## Removing information from the register

134. Companies House's current powers for removing incorrect information from the register are fairly limited and prescriptive. Section 1094 of the Companies Act 2006 allows material which have been admitted to the register as a matter of discretion to be removed. This does not apply to material which Companies House is required to put on the register. In addition, sections 1095 and 1096 allows the removal of material if it derives from anything invalid or ineffective; was done without the authority of the company; is factually inaccurate; or is derived from something that is factually inaccurate or forged. Material can be removed through an administrative procedure, on application to Companies House (through regulations made under section 1095) or following a court order (under section 1096). The administrative procedure was mainly designed for cases of company hijacking, where a third party has filed inaccurate information on the register, or mistaken filings by companies.
135. This means it can be difficult to legally remove information from the register even when it is highly suspect. An increasing number of complaints are being made from third parties about inaccurate information which has been filed on the register by a company (for example, that a company has falsely claimed that their annual accounts had been audited by well-known audit firms and that individuals had been fraudulently appointed), and it is not always possible for Companies House to take effective action. Section 1095 provides the company in question with the right to object to an application to remove information from its record, and that objection does not have to be evidenced. In such cases, third parties would need to apply to a court to ensure the information is removed, with the attendant cost and inconvenience.
136. The government intends that where an application to remove information is made by a third party in respect of information filed by a company, that company should have to provide some rationale and evidence to support any objection. This approach is consistent with the approach that has been taken for applications that a company is using an address as its registered office without authorisation.
137. A change in the administrative procedure to give effect to the above would only apply to filings which do not have legal consequences. Filings which do have legal consequences (for which, see section 1094(3)) would only be removed through a court order, having regard to section 1096(3) which limits the circumstances in which a court can direct the removal of such information from the register. Neither would the administrative procedure apply where the company has been dissolved and struck off the register.

**Q20. Do you agree that companies must evidence any objection to an application from a third party to remove information from its filings?**

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## Chapter 7. Reform of company accounts

138. This chapter considers the financial information submitted by companies. It proposes introducing a more uniform format for the submission of accounts to allow for automated checks and improved statistical analysis on accounts. It also addresses a known issue that has been exploited to delay submission of accounts.

### The requirement to file accounts

139. The Companies Act 2006 requires the directors of a company to prepare accounts for each financial year and to file a copy on the register. The requirement to file annual accounts applies to all companies, though obligations vary depending on the size and type of the company.
140. Companies House currently carries out a series of limited checks on the copy accounts, primarily to ensure that they include the minimum requirements (such as the director's report, balance sheet, notes etc.), before they are published on the register.

### Improving digital tagging of accounts

141. Most companies file their accounts in digital form. Companies House has supported a consistent approach for the preparation and filing of accounts in digital form by using iXBRL format and web-based filing systems for small companies which allows for a copy of the annual accounts to appear on the register. iXBRL translates financial information into an electronic format which can be easily read by both computers and humans.
142. This approach is in-line with the European Single Electronic Format which all companies in EU regulated markets will be required to use to prepare their annual financial reports from 1 January 2020. The UK will adopt this as the UK Single Electronic Format.
143. The accessibility of digital company financial information on the register would be further improved by the implementation of minimum iXBRL tagging standards to ensure that key financial information is easily identifiable. Tagging within an iXBRL system will benefit both Companies House, who will receive information in a more consistent format; and users of the register, who will be able to easily identify and compare information available on the register.

**Q21. Do you agree that Companies House should explore the introduction of minimum tagging standards?**

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## Limiting the number of times that a company can shorten its accounting reference date

144. Section 392 of the Companies Act 2006 allows a company to change its accounting reference date, which it can do by giving notice to shorten its accounting reference period<sup>18</sup>. When that period is shortened, section 442 then allows the company a further three months, from the date of the notice, to comply with its obligation under section 441 to deliver its accounts to the registrar. The extended period to deliver copy accounts to Companies House was designed to prevent a situation where shortening an accounting reference period resulted in late delivery and the directors being in immediate default.
145. Companies House has identified that the shortening of accounting reference periods is being abused. Some companies are using these provisions multiple times, reducing their accounting period by one day, in order to gain additional time to file their accounts. This is contrary to the intended spirit of the provision and is a cause for complaint by users of the register. Misuse of this mechanism results in no financial information being available for companies over an extended period. This may be an indication that a company is experiencing financial difficulties or has some other reason to conceal the extent of its assets and liabilities.
146. Whilst there needs to be a degree of flexibility in allowing companies to shorten their accounting reference period, this needs to be balanced with preventing companies from abusing this. The government therefore propose limiting the number of times a company can shorten its accounting reference period.

**Q22. Do you agree that there should be a limit to the number of times a company can shorten its accounting reference period? If so, what should the limit be?**

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<sup>18</sup> The period over which a company's financial accounts are prepared.

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## Improving financial information

147. Companies House receives complaints about:

- inaccurate accounts on the register;
- companies filing a different set of accounts with other government bodies.

148. In Part A and elsewhere, this consultation proposes that Companies House should do more in terms of checking information before it is entered on the register. However, the specialist nature of accounts filings is such that detailed checking would require specialist knowledge and expertise. The government would like to seek views on how financial information available on the register could be improved and what benefit that would bring.

**Q23. How can the financial information available on the register be improved?  
What would be the benefit?**

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# Chapter 8. Clarifying People with Significant Control exemptions

149. This chapter discusses the ability of searchers of the register to obtain information about who owns and controls companies where there is an exemption from the People with Significant Control requirements. It proposes that Companies House should collect some further basic information which would enable third parties to obtain this information more easily.

## Information on companies exempt from People with Significant Control requirements

150. Companies with voting shares admitted to trading on a regulated market in the UK or European Economic Area (other than the UK) or on specified markets in Switzerland, the USA, Japan and Israel are exempt from the requirement in Part 21A of the Companies Act 2006 to maintain a register of their People with Significant Control and to file this information with Companies House.
151. The rationale for this exemption is that, through the listing rules for these markets, these companies are subject to other, more stringent, transparency rules. However, it can be difficult for interested parties to find ownership and control information on these companies from other sources because Companies House does not collect or publish information on the specific listing.
152. The government therefore proposes that Companies House should collect some basic information to allow searchers to more easily find out who owns and controls companies that are exempt from People with Significant Control requirements. This could include, for example, a ticker symbol or stock symbol which uniquely identifies publicly traded shares of a particular stock on a particular stock market. This information would be shown on the register.

## Information on Relevant Legal Entities

153. The government is also aware of an issue with companies that are owned or controlled by a legal entity as opposed to an individual. In such a case, a company must work out whether that legal entity should be entered in its People with Significant Control register and reported to Companies House as a Relevant Legal Entity.
154. A legal entity must be registered if it:
- meets any of the conditions of control specified in the People with Significant Control Regulations;
  - is the first legal entity in a company's ownership chain; and



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- is subject to its own disclosure requirements, either because it keeps a People with Significant Control register or because it has voting shares admitted to trading on a regulated market.
155. There is evidence to suggest that where a company has provided Relevant Legal Entity details, it is difficult for searchers to check whether that entity is listed on a regulated market. In order to improve the quality of information on the public register and to increase corporate transparency, the government proposes that Companies House should collect some basic information about the regulated market on which a Relevant Legal Entity is listed, where applicable. As above, this information would be shown on the register.

**Q24. Should some additional basic information be required about companies that are exempt from People with Significant Control requirements, and about relevant legal entities that are themselves exempt?**

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## Chapter 9. Dissolved company records

156. This chapter considers whether it is still appropriate to keep dissolved company records on the register for 20 years from dissolution and sets out why the government does not intend to change this policy.

### Record retention relating to dissolved companies

157. Companies House's policy is to retain records of dissolved companies on the register for 20 years from the date of dissolution before exercising any discretion to move them to the National Archives. Historically, the 20-year retention period was linked to the equivalent period during which a company could be restored to the register under section 653 of the Companies Act 1985. The Companies Act 2006 changed the time limit for applying to court to restore a company to the register to six years from the dissolution of the company. Transitional arrangements for companies struck off the register under the 1985 Act applied the 20-year restoration period until 1 October 2015.
158. Since the register was made freely available to search online in 2015, the government has received a significant number of complaints that the availability of personal information on the register puts people at the risk of harm, including in relation to dissolved companies. This issue particularly affects directors appointed before the Companies Act 2006 came into force in 2009, as information about their residential address was generally made publicly available on the register. Given these concerns, as an interim measure whilst the retention period was being reviewed, Companies House only makes dissolved company records available on the on-line register (Companies House Service) for 6 years; such records are available for up to 20 years on other Companies House products.
159. In March 2017, the European Court of Justice considered the issue of whether – after a certain period has elapsed since a company has ceased to trade – access to personal information on a companies register should be limited<sup>19</sup>. The Court found that there was no “right to be forgotten” as a matter of principle, in view of the importance to third parties of having access to such information. The Court stated that it is for national legislatures to decide if people can apply – in exceptional circumstances and only after a sufficiently long period of time – for access to such personal data to be limited to third parties who can demonstrate a specific interest.
160. In April 2018, the government made regulations to make it easier for people to apply to Companies House to have information about their residential address unavailable for public inspection. Chapter 13 of this document contains several other proposals which aim to deal with the concerns about the availability of public information on the register.
161. The Fifth Anti-Money Laundering Directive was adopted on 30 May 2018. As the transposition deadline will fall during the Implementation Period, the government will transpose this Directive. The Directive provides that information relating to people with

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<sup>19</sup> <https://curia.europa.eu/jcms/upload/docs/application/pdf/2017-03/cp170027en.pdf>

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significant control in a company shall be available through national registers for a minimum of 5 years and maximum of 10 years after a company has been struck off the register.

162. The government considers that a 20-year retention policy is appropriate. It enables third parties to have access to sufficient information to be able to decide whether to do business with a company or an individual. Shortening the period would reduce corporate transparency and could make it easier for those who wish to abuse corporate entities. For example, a person who had been a director of multiple failed companies, would have those records erased more quickly. On the other hand, we do not believe that lengthening the period would provide useful information to third parties due to the increasingly historic nature of the information. Part C of this consultation addresses concerns about the public availability of private information on the register.
163. For these reasons, the government does not intend to change the current 20-year retention period of dissolved company records. We will consider further about how to comply with the Fifth Anti-Money Laundering Directive requirement that PSC information should only be retained for a maximum of 10 years after dissolution. The current interim measure limiting disclosure of records on Companies House Service to 6 years (see paragraph 158 above) will be stopped.

**Q25. Do you agree that company records should be kept on the register for 20 years from the company's dissolution? If not, what period would be appropriate and why?**

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# Part C: Protecting Personal Information

## Summary

It is important that the information on the register is of real, practical use to those who wish to find out information about those who take advantage of the privilege of limited liability. At the same time, it is important that information on the register should not become a tool for abuse.

This part considers the implications of increased information disclosure. It sets out how personal and protected information will be held and accessed in the future.

**Chapter 10** sets out proposals for how personal and protected information will be held and accessed in the future. Companies House will collect more information about companies, and their officers, People with Significant Control and shareholders. Some of this will be of a sensitive personal nature, but will not be made publicly available.

**Chapter 11** explores whether further protections are needed in certain circumstances to protect directors' information, as well as proposing that in some limited areas, less information about directors needs be gathered in future.

# Chapter 10. Public and non-public information

164. This chapter explains the consequences of more information being held by Companies House. It sets out how personal and protected information will be held and accessed in the future.

## Access to information held by Companies House

165. Information held by Companies House can fall into public and non-public information. The information made public on the register comprises any statutory information delivered under the Companies Act 2006 or related legislation, except material that falls within section 1087 which must not be made available for public inspection. Examples of some of the information held publicly and privately on the register are detailed in table 3 below.

**Table 3 - current public and non-public register information for natural**

Register	Information held
<b>Public information</b>	Company details:  Company Name, Company Number, Registered Office Address, Company Type (i.e. Private/Public)  Accounts  Confirmation Statement
	Officer details:  Forename(s) and Surname, Former name(s), Country/State of residence, Nationality, Month and Year of birth, Business occupation (if any), Service address.
	PSC details:  Forename(s) and Surname, Country/State of residence, Nationality, Month and Year of birth, Service address, Nature of control.
	Shareholder (if limited by shares):  Name of shareholder <sup>20</sup> , Class of share held, Number of shares held, Nominal value of each share held,

<sup>20</sup> An address is also required if the company is traded on a regulated market and the individual holds at least 5% of the shares.

	Currency of shares held, Amount paid on each share (including the nominal value and any share premium), Amount (if any) unpaid on each share (including the nominal value and any share premium), Details of any transfer of shares.
<b>Public information: ancillary information for filing (currently provided voluntarily)</b>	Presenters (paper filed documents) Contact Name/Company Name, address and telephone Number.
<b>Non-public information (s1087)</b>	Usual residential address of a director or PSC where the individual has provided a service address.
	PSC protected details:  Information that Companies House must omit from public inspection under section 790ZG where the PSC, or a person living with the PSC, is at serious risk of violence or intimidation from  The activities of that company, or One or more characteristics or personal attributes of the applicant when associated with that company
	Full date of birth

166. Companies House only makes non-public information available, under strict statutory controls, to certain public authorities such as the police. The usual residential addresses of directors and people with significant control are made available to credit reference agencies unless those individuals have been granted protection<sup>21</sup>.
167. Other non-public information, such as email addresses provided in the course of electronically filing company information, are provided, on request, to law enforcement agencies in accordance with their statutory functions, for example the prevention or detection of crime.

## Implications of more information being held on the register

168. As set out in this consultation, the government is proposing to extend the amount of information that companies and individuals associated with them are required to provide, including:

<sup>21</sup> Under section 243, 790ZF or 790ZG of the Companies Act 2006.

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- Information collected through the process of identity verification of directors, people with significant control and, possibly, shareholders (Chapters 3 and 4);
  - Additional information from third party agents, such as e-mail addresses (Chapter 2);
  - More information from shareholders, such as their usual residential address and date of birth (Chapter 4);
  - Information provided as a result of checks by Companies House on filings prior to putting them on the register (Chapter 6);
  - Information about a company's bank account(s) (Chapter 12); and
  - Evidence that a company is entitled to use an address as its registered office (Chapter 13).
169. Virtually none of this information would be available publicly on the register. As a result of this, the non-public part of the information Companies House would become larger relative to the public information. Though there will still only be one register, in future it would in effect be a register of two parts, a “front-end” that is accessible publicly, and a larger “back-end” holding more behind-the-scenes information.

## Access to non-public information

170. The government considers that there should be two tiers of access to non-public information. The limited rights enjoyed by credit reference agencies and the broader access enjoyed by specified public authorities. We do not propose to make any changes to the current access to protected date of birth and residential address information by credit reference agencies and public authorities.
171. We also do not propose to allow credit reference agencies to have access to the additional information set out in paragraph 168 above. This information would only be accessible internally to Companies House and to public authorities. It would only be available to the latter where appropriate information sharing gateways are in place and in line with data protection obligations.

**Q26. Are the controls on access to further information collected by Companies House under these proposals appropriate? If not, please give reasons and suggest alternative controls?**

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# Chapter 11. Information on directors

172. This chapter summarises the information held on the register about company directors. It explores whether further protections are needed in certain circumstances to protect directors' information, as well as proposing that in some limited areas, less information about directors needs to be gathered in future. The government's aim is to strike the right balance between transparency over who is running companies, whilst ensuring that transparency does not become a tool for abuse and that information is only collected if it is necessary and proportionate to do so.

## Current requirements

173. Company directors are the people responsible for the day to day management of a company. Every director of a UK registered company is responsible to its owner(s): the members, who are usually shareholders. Every director has certain legal obligations, for example to exercise independent judgement and to exercise reasonable care, skill and diligence, defined in the Companies Act.

174. Section 163 of the Companies Act 2006 sets out the information about an individual director which must be included in the company's register of directors. Section 167 requires this same information to also be filed with Companies House. The information is:

- name and any former name;
- a service address;
- the country or state (or part of the UK) where the director is usually resident;
- nationality;
- business occupation (if any); and
- date of birth.

175. The rules on disclosure of personal information on the register have changed over the last 16 years. Before 2009, directors' residential addresses were generally publicly available on the register, unless a director had been granted a confidentiality order. The Companies Act 2006 changed the general position by allowing directors to use service addresses on the public register so keeping their residential addresses private. In addition, for documents filed after October 2015, the register only shows a director's month and year of birth (i.e. the "day" element is suppressed).

## The case for changing information required of directors

176. In preparing this consultation, the government has considered whether there is a case for changing any of the information required on company directors. Broadly, we believe



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the information requirements are fit for purpose. However, there may be a case for ending the requirement to disclose a director's occupation.

## Name

177. The government believes current requirements on directors' names are fit for purpose. The Companies Act 2006 does not require directors to give their full name to Companies House<sup>22</sup>. The government is aware of cases where individuals use different variations on their names (e.g. Stephen, Steve) in respect of different directorships. However, we do not consider that the current requirement needs changing if other measures are taken forward. Part A proposes verification of identities and the use of that process to link all records associated with one individual. That would enable Companies House to identify and show the different directorships of an individual, even without a full name being disclosed or if variants of the same name have been used.

## Service address and date of birth

178. The government does not believe there is any reason to change the provisions on service address and date of birth. It is important that service addresses are provided so that directors are contactable. Requiring the date of birth enables Companies House to check that under-age directors are not being appointed, ensuring compliance with section 157 of the Companies Act 2006. The date of birth is also useful for law enforcement purposes.

## Residence and nationality

179. The government does not believe there is any reason to change the provisions on residence and nationality. The requirement for a director to state their nationality was introduced in the Companies (Particulars of Directors) Act 1917. The requirement for a director to state the country, state or part of the UK where they are usually resident was introduced in the Companies Act 2006. As the 2006 Act allowed directors to keep their residential address private as long as they provided a service address, a requirement to disclose country of residence was included in order that the public should continue to be able to discover whether the directors were in some sense "local".

## Business occupation

180. There has been a requirement in company law for directors to state their occupation since 1844, but the data is of limited use in the present day. The entry can be left blank on the directors' register if the director does not have a business occupation. As of late 2018, 40% of the directors of live companies on the register list their business

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<sup>22</sup> Section 163 of the Companies Act 2006 requires directors to provide their Christian name (or other forename) and surname, except from peers or people usually known by a title who may state their title instead or in addition to this.

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occupation as ‘director’ (2.7 million out of 6.6 million). Also, there is little consistency in the data provided for other types of occupation, with over 300,000 variations.

181. The requirement is on occasion a source of concern. Occasionally the business occupation is challenged by third parties who claim the director in question is claiming to be something that they are not. Examples include where directors listed as certain professions e.g. an architect, a social worker. Elsewhere, some directors have raised concerns that the public availability of their business occupation puts them at risk of harm, e.g. where they are working for the police, army, the prison service or in the medical professions.
182. The government believes there may no longer be a case to ask for directors’ occupations. We are therefore seeking views on the value to third parties of this information. If the government concludes that this information should no longer be required and shown on the register, we would introduce a process allowing directors to apply to have information about their occupation already on the register removed from the public part of the register.

**Q27. Is there a value in having information on the register about a director’s occupation? If so, what is this information used for?**

## Suppression of directors’ personal information

183. In limited circumstances, directors can apply to have some of their personal information already held on the register, suppressed from public view. The government believes there may be a case for extending these rights in the following specific areas, in order to protect individuals from fraud or other harm.

## Date of birth

184. The Small Business, Enterprise and Employment Act 2015 changed the general position in respect of disclosure of a director’s date of birth. For director appointments filed since 10 October 2015 only the month and year of a director’s date of birth are publicly shown on the register (i.e. the “day” element is suppressed). The aim of this change was to reduce the risk of identity theft, whilst still providing enough information on the register to identify individuals who may have the same, or similar names. The same approach is taken for filings for PSCs.
185. However, the provisions in the 2015 Act did not apply to date of birth information filed before the provision came into force in October 2015. The “day” element of date of birth information filed before this date remains publicly available on the register and there is no system to allow directors to apply for it to be removed.
186. The government has received complaints that the public availability of directors’ full date of birth information in historic filings facilitates identity theft and fraud. We consider that directors should be able to apply to Companies House to have the “day” element of their date of birth suppressed on historic filings.

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187. Where a company has chosen to hold its register of directors solely at Companies House, an application to suppress part of a date of birth would not be allowed. The 2015 Act allowed private companies to opt out of the requirement to keep and maintain some, or all of certain company registers<sup>23</sup>. Where a company exercises this option, it must ensure that the information on the register held at Companies House is up to date in the same way that it would have been required to update its own registers. Only a relatively small number of companies have taken up this option.
188. One principle underlying the option is that those wishing to inspect a particular register should continue to have access to the same information when this is solely available on the register held by Companies House. Suppression would contravene this principle as the full date of birth would not be available in these circumstances, whereas it would be available if the company itself also held the directors' register.

**Q28. Should directors be able to apply to Companies House to have the “day” element of their date of birth suppressed on the register where this information was filed before October 2015?**

## Change in gender

189. The Companies Act 2006 requires any change of a director's name to be notified to Companies House and made publicly available on the register. This also applies to PSCs. This includes cases where the person's name changes as a result of a change in gender. Section 22 of the Gender Recognition Act 2004 makes it an offence to disclose information about the gender history of transgender people who have legally changed their gender through obtaining a Gender Recognition Certificate (GRC) where this information has been acquired in an official capacity. However, section 22(4)(j) provides an exemption where the disclosure is made under another enactment. Companies House is exempt from this general prohibition because it makes information public in accordance with the Companies Act 2006.
190. The government is aware of concerns that the disclosure of names on historic records on the register may reveal a change in gender and that this may put people at risk of violence or intimidation. The government intends to act to provide additional safeguards. We propose a new administrative procedure which allows a director to apply to Companies House to have their previous name hidden on company filings and replaced with a new name. The original information would still be held internally and securely by Companies House; it would be available to law enforcement should this be necessary but would not be publicly available. This would apply to anyone who may have changed their name as a result of changing their gender, which can include people who have obtained a GRC and legally changed their gender, as well as transgender people who do not have a GRC.

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<sup>23</sup> Register of: members; directors; directors' residential addresses; secretaries; People with Significant Control.

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**Q29. Should a person who has changed their name following a change in gender be able to apply to have their previous name hidden on the public register and replaced with their new name?**

## Director's residential address as the company's registered office

191. Before the Companies Act 2006 came into force in 2009, directors' residential addresses were generally publicly available on the register, and many remain on records preceding that date. The 2006 Act changed the general position by giving directors the option of putting a separate service address on the public register, so keeping their home address private. Concerns about the continuing availability of residential address information on the register prompted the government to make regulations in April 2018<sup>24</sup> to make it easier for people to apply to Companies House to have this information suppressed.
192. However, these regulations only allow an application to be made where residential address information was placed on the register under certain specified provisions, for example as the director's service address or in the company's annual return. They do not allow an application where a residential address has been put on the register as the company's registered office address.
193. The government has received some complaints about the inability to suppress information in these circumstances, even where the person concerned is at risk of violence or intimidation, and we intend to rectify this where appropriate. We have considered three situations, where the residential address:
- is the current registered office of a live company;
  - was the registered office at the time a company was dissolved and struck off the register; or
  - was a historic registered office for a live/dissolved company.
194. The government does not propose to allow applications for suppression where the residential address is a live company's current registered office address. The current registered office of a live company is an important piece of information as it is the address for legal service of documents.
195. Nor does the government intend to allow an application where the address was the registered office of the company at the time it was dissolved. Once a company is dissolved and struck off the public register it ceases to exist as a legal entity. There is no mechanism whereby a dissolved company can file information – such as a change to its registered office – with Companies House. A dissolved company's last registered office address is also an important piece of information which is used in restoring a company to the register by court order.

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<sup>24</sup> The Companies (Disclosure of Address) (Amendment) Regulations 2018 (S.I. 528/2018)

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196. However, the government is open to allowing suppression of residential addresses that were registered addresses but do not fall into the above two categories. It is not clear whether a historic registered office address is sufficiently important to justify retaining the current prohibition on suppression applications. There could be a situation where the location of the registered office address at a point of time is a relevant issue in court proceedings, and the government will consider how and whether a request for disclosure of this information could be made, if it had been suppressed.
197. If we were to allow applications in respect of historic registered office addresses, the address would be partially suppressed on the register to show the first half of the postcode only. This approach is consistent with the treatment of applications under the 2018 regulations where an applicant is not required to maintain a current address of the register. Where a residential address is the current registered office of a live company, the company would need to change its registered office address (under section 87 of the Companies Act 2006) away from the residential address before an application could be made.

**Q30. Should people be able to apply to have information about a historic registered office address suppressed where this is their residential address? If not, what use is this information to third parties?**

## Signatures

198. In places, the register contains individuals' signatures, which are mostly required where documents are delivered to Companies House in paper form rather than electronically (in the latter case, signatures are replaced by other forms of authentication). Historically, signatures were more prevalent on the register – for example through the requirement to file signed accounts before the Companies Act 2006 came into force.
199. The government is aware of concerns that the public availability of signatures on the register can facilitate fraud. We will consider alternative ways of authenticating documents that do not require such personal information to appear publicly on the register. However, signatures would still be available on the register on historic filings. The government proposes that there should be an administrative procedure which would allow individuals to apply to have their signature suppressed. In these circumstances, the register would be annotated to show that a signature had been provided.

**Q31. Should people be able to apply to have their signatures suppressed on the register? If not, what use is this information to third parties?**

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# Part D: Ensuring Compliance, Sharing Intelligence, Other Measures to Deter Abuse of Corporate Entities

## Summary

Parts A, B and C set out a range of new information requirements, checks over that information, and reforms to how information is shown or protected on the companies register.

This part sets out in high level terms how Companies House will work with other agencies to ensure compliance and take action against offenders. It also proposes a range of additional measures to further deter abuse of UK-registered corporate entities.

**Chapter 12** sets out the approach Companies House takes to compliance and enforcement. It proposes the routine cross-checking of information on the companies register against external data sets and powers to obtain feedback from obliged entities on discrepancies identified. It also proposes adopting a risk-based approach to the sharing of intelligence with law enforcement agencies and requiring companies to provide details of their bank account.

**Chapter 13** sets out proposals to deter the misuse of limited partnerships, company names and addresses and to limit the number of concurrent directorships that an individual may hold. It also seeks views on the future provision by Companies House of Certificates of Good Standing.

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# Chapter 12: Compliance, intelligence and data sharing

200. This chapter sets out the approach Companies House takes to compliance and enforcement. It proposes the routine cross-checking of information on the register against external data sets and powers to obtain feedback from obliged entities on discrepancies identified. It also proposes adopting a risk-based approach to the sharing of intelligence with law enforcement agencies and requiring companies to provide details of their bank account.

## The Companies House approach to compliance and enforcement

201. A range of compliance measures are currently in place to ensure that companies comply with their filing obligations. Companies House provides support to companies and directors by providing easy and intuitive filing services, comprehensive guidance and information (through letters and emails) about filing deadlines and directors' responsibilities. This approach leads to high levels of compliance with over 99% of companies having an up to date set of accounts, over 98% having an up to date confirmation statement and over 99% having provided information on their People with Significant Control.
202. Companies House is constantly working to improve the integrity of the information that is filed on the register. If information provided by companies does not meet examination requirements, it is rejected. Companies House also collaborates with civil society to gain further insight into the quality of information on the register, particularly regarding the information provided since 2016 on People with Significant Control. This has led to a greater understanding of the difficulties that companies have faced in providing accurate information, as well as identifying areas where there is suspicion that they are deliberately avoiding their obligations.
203. The primary aim of Companies House is to achieve compliance. Where this cannot be achieved by other means, Companies House takes action to enforce the legal obligations to disclose information on the register. In 2016/17, Companies House prosecuted 1,900 directors for the non-filing of accounts and confirmation statements. For more complex offences, where more investigation may be needed, such as in cases involving People with Significant Control non-compliance or false filing offences, Companies House refers cases to Insolvency Service and other prosecuting authorities for consideration for prosecution or other action.
204. There remain instances where information placed on the register is subsequently found to be suspicious, fraudulent, or just simply incorrect. In recent years, Companies House has introduced new systems to help ensure inaccurate or fraudulent information is identified. For example, in July 2017 a "Report it Now" feature was introduced on the free Companies House online enquiry service which allows anyone to notify concerns to

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Companies House. Since its introduction, Companies House has received over 126,000 such notifications.

205. Elsewhere, Companies House has been working with civil society groups to develop new algorithms to allow it to identify cases of non-compliance with PSC regulations. It has also undertaken a number of exercises to identify and correct areas of non-compliance, such as where a company's Registered Office is outside the correct jurisdiction or its subsidiary undertakings have not been disclosed in the company accounts.
206. In instances where criminal activity is suspected, Companies House works with law enforcement agencies to further investigate and prosecute offenders. Companies House also handles a significant number of requests for data from law enforcement. In recent years, Companies House has strengthened its partnership with law enforcement agencies. As a result, it now supports an average of 125 investigations per month, up from 11 per month in 2014. Examples of the sorts of investigations where Companies House has supplied significant evidence are:
- Drugs
  - Illegal tobacco
  - Human Trafficking/Modern Slavery
  - Money Laundering
  - Crypto-currencies
  - Payment Diversion Fraud
  - Environmental Crime
  - Rogue traders targeting vulnerable people in local communities
  - VAT Fraud

## Sharing data and intelligence

207. Companies House will build on this activity, exploring further ways in which it can collaborate with its law enforcement partners. For example, it is looking to streamline the process for sharing information with Specified Public Authorities, as there is evidence that the current process is overly bureaucratic and expensive. Underpinning these efforts will be stronger systems and processes to routinely cross-check data on the register. It will be more difficult for fraudulent information to be placed on the register; in cases where it is, then processes will be in place for it to be quickly identified and passed to enforcement agencies.



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## Cross-referencing with data sets

208. The increase in information collected by Companies House, and improvements in its quality as proposed elsewhere in this consultation, will assist in the ability to compare information in bulk against other data sets, both within and without government, to identify anomalies and suspicious activity or trends or patterns that cause concern.
209. Companies House is currently undertaking an exercise with HMRC to explore the differences in company accounts that are submitted to each. This will evidence the extent to which the financial information published by Companies House presents an accurate picture of companies' financial position. It may also identify instances of potentially fraudulent activity.
210. The government believes that further opportunities exist for information on the companies register to be compared to other data sets, for instance information on the register of births and deaths. Other data sources include information held by supervisory bodies, including the Office for Professional Body Anti-Money Laundering Supervision (OPBAS). Depending on the extent of the data sharing that will be required in future, the government will consider whether new powers are required.

**Q32. Do you agree that there is value in Companies House comparing its data against other data sets held by public and private sector bodies? If so, which data sets are appropriate?**

## Feedback loops

211. Individuals or organisations can currently notify Companies House of anomalies or discrepancies they have identified on the register, including through the 'Report it Now' function set out above.
212. Some organisations hold information that would be particularly valuable in confirming the accuracy of the register. These include banks, accountancy and legal firms, and company formation agents. All of these are regulated entities, i.e. they are subject to the Money Laundering Regulations 2017.
213. These organisations do not routinely alert Companies House to potential discrepancies, despite the fact that they will often be using Companies House data as a starting point for the due diligence checks they conduct on their clients.
214. The government would like to see this change and intends to require regulated entities to report anomalies to Companies House. The government would see this covering anomalies or discrepancies identified in any area of the register. Introducing a formal feedback process will strengthen the quality of information on the register, and create a positive feedback loop, enabling those same organisations to have more confidence in the data on the register. When feedback is received on any discrepancies identified, Companies House will take appropriate action, either through its powers to amend or remove information (covered in Chapter 6), or through liaison with law enforcement partners and other regulators.

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215. These requirements will be in line with the direction of travel in the EU but will go further. The EU Fifth Anti-Money Laundering Directive will require regulated entities to report discrepancies between the information on companies obtained under their customer due diligence obligations and the information for that company shown on the register – but this will be limited to information on beneficial ownership. The Government is currently consulting on the transposition of this Directive<sup>25</sup>. Legal gateways are required to actively share information.

**Q33. Do you agree that AML regulated entities should be required to report anomalies to Companies House? How should this work and what information should it cover?**

## Risk-based intelligence sharing

216. Through additional checking of information, by comparison of data against other data sets, and through feedback obtained from third parties, the amount of suspicious activity or information identified by Companies House could increase significantly. However the use and sharing of personal and corporate information is controlled and new legal gateways may be required to allow active sharing of information.
217. As explained in Part A, by requiring identity checks Companies House will have access to more information about those individuals associated with a company or providing information on behalf of a company. These identity checks will act as a deterrent to those involved in fraudulent activity from using the company as a vehicle for money laundering or illicit purposes. Where it does not, this information will be of use in supporting law enforcement in their investigations and facilitate prosecution of existing offences. As noted elsewhere, this personal information will only be shared where necessary and appropriate: it would not be disclosed routinely.
218. The accuracy of the overwhelming majority of the information on the register is high. Although relatively rare, there are instances where Companies House identifies information that points to criminal activity. It is vital that this information is quickly brought to the attention of the relevant organisations. The government is therefore considering the introduction of new powers to enable the proactive sharing of information with law enforcement partners in instances where Companies House believes that the sharing of the information is necessary for the purpose of preventing, identifying or prosecuting crime.

**Q34. Do you agree that information collected by Companies House should be proactively made available to law enforcement agencies, when certain conditions are met?**

## Disclosure and sharing of bank account information

219. Evidence from law enforcement agencies suggests that an additional useful source of information would be on the location of bank accounts used by companies, particularly

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<sup>25</sup> <https://www.gov.uk/government/consultations/transposition-of-the-fifth-money-laundering-directive>

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in money laundering investigations. To be useful, the information would need to cover a comprehensive list of the accounts held by that company. Some of this information will be available after transposition of the EU Fifth Anti Money Laundering Directive. This requires Member States to maintain a central register or database which allows identification of natural and legal persons which hold or control bank accounts; payment accounts; or safe-deposit held by credit institutions within the UK.

220. But this information will not be available for UK registered entities that do not have bank accounts with UK institutions. Therefore the government is also considering whether there should be a new filing requirement for a UK company to notify Companies House within 14 days of a non-UK bank account being opened for the company. The company would be required to give certain details about the relevant bank account: the name of the bank; the address of the branch (where applicable) and the account number.
221. Full bank account information would not be made publicly available on the register, but these details would be available to law enforcement on request. However, there may be a case for some basic information e.g. the jurisdiction under which the bank account operates, to be made public.
222. The accuracy of the information provided would be supported by feedback from banks themselves, provided under the new feedback requirements proposed above. However, it would be more difficult to confirm the accuracy and comprehensiveness of information provided about overseas bank accounts. We would be grateful for views on the effectiveness of this requirement and whether there is any information which should be made publicly available, for example the jurisdiction under which the bank account operates.

**Q35. Should companies be required to file details of their bank account(s) with Companies House? If so, is there any information about the account which should be publicly available?**

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# Chapter 13: Other measures to deter abuse of corporate entities

223. This chapter sets out a range of other potential measures that may help deter abuse of UK-registered corporate entities, including ending the business activities of limited partnerships that are being misused, and restricting the number of directorships any one individual can hold or the number of companies registered at one address. It also proposes measures to tackle the fraudulent use of company names and addresses and explores whether improvements can be made to the way certificates of good standing are issued and used.

**Q36. Are there examples which may be evidence of suspicious or fraudulent activity, not set out in this consultation, and where action is warranted?**

## Powers to end the business activities of limited partnerships that are being misused

224. It is important that, where corporate entities are being used for illicit purposes, action can be taken to stop that misuse, even where it may be challenging to prosecute individuals involved with that corporate entity, such as directors or People with Significant Control, e.g. because they are resident overseas.
225. Section 124A of the Insolvency Act 1986 allows the Secretary of State to petition the court for the winding up of a company or (by virtue of regulation 5 of the Limited Liability Partnerships Regulations 2001) a limited liability partnership, where it appears expedient in the public interest. The court will order a winding up where it is just and equitable to do so. This procedure is typically used following an investigation by the Insolvency Service into corporate abuse by a company or limited liability partnership. Corporate abuse could include serious misconduct, fraud, scams or sharp practice in the way the company or limited liability partnership operates. In 2017/18, 71 companies were wound up in the public interest and 86 in 2016/17.
226. However, these powers do not extend to limited partnerships. In December 2018, the government announced its intention to bring forward a range of measures to strengthen and update the legal framework governing limited partnerships<sup>26</sup>. This included stronger controls at the point of registration, requirements for additional information whilst the limited partnership is operating, as well as providing the Registrar with powers to strike off limited partnerships from the register under certain circumstances. The power to strike off would apply following an application by the limited partnership itself (voluntary strike off) or where the Registrar is satisfied that the limited partnership is no longer carrying on business (non-operating strike off). Strike off would follow a robust process based upon that set out in the Companies Act 2006.

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<sup>26</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/762849/government-response-limited-partnerships.pdf#](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/762849/government-response-limited-partnerships.pdf#)

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227. While we are confident that the package of measures set out in December will strengthen limited partnership law and help to prevent the misuse of limited partnerships, we consider that there may be merit in providing a new process through which the court can ensure a limited partnership no longer carries on business where it is in the public interest to do so.
228. Limited partnerships are fundamentally different to corporate structures including limited companies and limited liability partnerships. Limited partnerships can continue to exist once the partners have decided to dissolve the limited partnership, e.g. the limited partnership may proceed to be wound-up. Any new process would need to recognise these differences so that, where a court determines it is in the public interest to ensure a limited partnership no longer carries on business, this can be exercised in practice and the companies register (which holds information on UK limited partnerships) annotated accordingly, which might include being struck off the register.
229. The partners would have the opportunity to defend the striking off petition and put their case as to why the partnership should not be struck off the register.
230. As well as views on whether such a process would be appropriate, we would welcome views on:
- Whether the grounds for striking off in the public interest should be equivalent to those for the winding up of companies, or whether the process for limited partnerships should be limited to the commission of offences in Schedule 1 of Part 1 of the Serious Crime Act 2007, for example money laundering, fraud, cyber-crime, drug trafficking; and
  - whether it would be appropriate to allow other bodies, as well as the Secretary of State, to be able to apply to the court for a limited partnership to be struck off the register, such as those law enforcement bodies who can apply for an unexplained wealth order, i.e. the National Crime Agency, HMRC, the Financial Conduct Authority, the Serious Fraud Office and the Director of Public Prosecutions.

**Q37. Do you agree that the courts should be able to order a limited partnership to no longer carry on its business activities if it is in the public interest to do so?**

**Q38. If so, what should be the grounds for an application to the court and who should be able to apply to court?**

## Deterring misuse of company addresses

231. An area where Companies House receives complaints is in relation to companies using other people's addresses, often residential addresses, as their registered office addresses without permission. This can cause inconvenience and distress to those people affected.
232. In 2016, the government sought to remedy this, by giving Companies House the power under the Small Business, Enterprise and Employment Act 2015 to default a company's registered office address to a PO Box at Companies House on application, where the company did not provide evidence of authority to use the address. In 2017/18, over

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7,000 applications were received. Many applicants ask in their application why the company's authority to use the address is not verified before it is registered.

233. The government intends to introduce new powers to require companies to demonstrate they are entitled to use an address as their registered office. The evidence could take various forms, such as evidence of a tenancy agreement, but it would need to show that consent had been given by the proprietor of the address for the company to use it. For example, if incorporating via a third party agent, the agent would be required to indicate permission had been given for the company to use the agent's address as the company's registered office, but if another address is being used evidence that the proprietor has authorised the company to use it. These requirements would also apply when a company is changing its address.

**Q39. Do you agree that companies should provide evidence that they are entitled to use an address as their registered office?**

234. A further issue is the registration of multiple companies from a single address. This can be a sign that criminal activity is underway, particularly where the address used is not a business address. However, there are many examples of when multiple companies are registered at a single address for fully legitimate reasons, e.g. as part of corporate structuring activity, or where a third party agent is establishing companies ready for sale to clients.
235. The enhanced analytical ability set out in Chapter 12 will be used to link companies that have the same registered address, and to identify whether the address is associated with an entity registered to carry out anti-money laundering checks. This will enable a risk profile to be developed where significant numbers of companies are registered at single addresses. Companies House will make law enforcement partners aware of such activities on request and in reports on the register.

## Limiting concurrent directorships

236. The role of company director carries with it important duties and responsibilities, which are set out in the Companies Act 2006. Failure to comply with legal obligations can lead to prosecution, fines or disqualification from taking up further directorships. Evidence from law enforcement agencies suggests that in some cases, criminals set up multiple directorships in the name of a single individual in order to help facilitate their activity.
237. The government believes it unlikely that a person could reasonably be considered to be performing their duties as a company director where they are holding large numbers of directorships. Other countries already have measures in place to place a limit on the number of directorships held by any one individual. The government is therefore considering the introduction of a cap on the number of directorships that an individual may hold concurrently. As with the issue of multiple companies at a single address, an alternative solution is to link multiple directorships and flag this information to law enforcement partners.
238. The government recognises that there may be circumstances in which such a cap should not apply and would welcome views on this. One example may be where third

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party agents are setting up companies in their own name, in order to create companies swiftly for clients.

**Q40. Is it sufficient to identify and report the number of directorships held by an individual, or should a cap be introduced? If you support the introduction of a cap, what should the maximum be?**

**Q41. Should exemptions be available, based on company activity or other criteria?**

## Deterring misuse of company names

239. There are two circumstances, set out in sections 53 and 66 of the Companies Act 2006, when Companies House must reject an application to register a company name. These are:
- a. When a proposed name is the same as an existing name on the public register (except where it is in the same group and the other company has given its consent);
  - b. When the registration of a proposed name would constitute an offence or is offensive.
240. In addition to this, Companies House (on behalf of the Secretary of State) must give formal approval before registering a name which may suggest a connection with government or a public authority, or which includes a sensitive word specified in Regulations.
241. Companies House has discretion, once a name has been registered, to direct a company to change its name. This discretion can be exercised when:
- a. It is no longer entitled to an exemption from using “limited” in its name;
  - b. Its name is the same as, or too like, a name already on the public register;
  - c. It provided misleading information for the purpose of registering its name, or gave undertakings for that purpose which remain unfulfilled;
  - d. It gives so misleading an indication as to the nature of its activities as to be likely to cause harm to the public.
242. Finally, there exists at the Intellectual Property Office the Company Names Adjudicator, to whom a person (which includes a company) can object to a registered company name on the grounds that:
- a. The name is the same as a name associated with the applicant in which they have goodwill, or
  - b. The name is sufficiently similar to such a name that it might mislead by suggesting a connection.

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243. The Adjudicator has the power to order the “offending” company to change its name, and if they fail to do so the Adjudicator may change the name. In effect Companies House, on instruction from the Adjudicator, changes the name to the company’s registered number.
244. The government has received some complaints that Companies House should do more to reject company names before they are registered. We are therefore considering a change of approach which would provide Companies House with further powers to query and possibly reject applications to use a company name.
245. An example of when such powers could be used is where repeated and/or possibly vexatious applications are made to register a company name that is similar to the name of an existing company on the register, or where the proposed name has potential to be misleading. Another instance might be where a company registration appears to appropriate the name and/or title of a specific individual and where there appears to be little or no obvious justification for doing so.

**Q42. Should Companies House have more discretion to query and possibly reject applications to use a company name, rather than relying on its post-registration powers?**

## Certificates of Good Standing

246. For a fee, customers can order a certificate from Companies House that includes a “Good Standing” statement in respect of a company. This statement confirms that, based on the information that has been filed with Companies House (which is not validated) the company has been in continuous, unbroken existence since its incorporation and that no action is currently being taken to strike the company off the register. It is only issued if the company is up to date with its filing obligations.
247. Although this information is freely available on the public register, there is a significant demand for it to be certified and it appears that “Good Standing” statements are expected and accepted as evidence in legal, business and financial transactions in many countries. There are suggestions that holders of a certificate of good standing are using them as evidence that the company is financially sound. We are therefore contemplating a change of product which would reflect that the certificate represents statements of fact derived from information filed rather than a judgement that Companies House is making.
248. Additionally, Companies House has been made aware of some instances where “Good Standing” statements have been created or used fraudulently.

**Q43. – What would be the impact if Companies House changed the way it certifies information available on the register?**

**Q44. – Do you have any evidence of inappropriate use of Good Standing statements?**



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## Part E: Implementation

249. If implemented in full, the proposals in this consultation would amount to the most significant reform of the UK's company registration framework since a register was first introduced in 1844. This section outlines the implications for Companies House operating model and approach at a time when Companies House is already undertaking a modernisation process to provide a better service to customers. It notes there will be an impact on the fees levied by Companies House, though the government fully expects them to remain very low by international standards.

### Transformation of Companies House

250. The proposed reforms set out in this consultation will see Companies House develop new responsibilities to verify and investigate the data it receives, to assess risks and share intelligence, and to strengthen its work with other agencies to ensure robust enforcement action.
251. A new operating model will be needed to deliver these new responsibilities. It will involve new digital technologies and process capabilities, and new skills requirements.
252. A major upgrade of Companies House systems is in any case needed. Its services are largely digital but have not been significantly redeveloped in the last 10 years and are no longer fit for purpose. The systems are difficult and expensive to maintain and making changes to accommodate regulatory changes is challenging. Reliance on legacy systems means the agency often has to develop services in a way that is both not in line with customer expectations, and inefficient to run.
253. In short, Companies House will go through a major transformation in the coming years. Transformation will touch every aspect of Companies House's work, covering both customer-facing and internal digital systems. The programme will entirely redesign its digital services and align its culture with new ways of working and new roles.
254. Companies House will work with a range of public sector agencies and regulated entities to fulfil the proposals for much greater sharing of data and intelligence, set out in Chapter 12.
255. On completion of the programme Companies House will be a truly digital organisation, inside and out, its services will be simple and easy to use, allowing customers to interact with it using the latest technology. It will be better able to respond to broader challenges and adapt to changing needs. This in turn will mean Companies House is able to better support wider government policy on corporate transparency and tackling financial crime.

### Costs and fees

256. As the government determines which measures to take forward following this consultation, we will develop robust estimates of costs and impacts and publish an impact assessment in due course.

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257. The proposed reforms are wide-ranging and represent a significant shift to Companies House's current operating model and approach. As such, the reforms are likely to involve significant up-front investment costs. Ongoing running costs will rise and therefore it is likely that the fees Companies House charges will increase. However, the government expects any rise in fees to be very moderate, and fees to remain low when compared to fees levels historically, and when compared internationally.

## Timing

258. In most cases changes to the powers of Companies House will require primary legislation. That fact, and the need for a programme of systems and staffing transformation at Companies House, will mean that these reforms will take some years to deliver. The government will set out its next steps when it formally responds to this consultation.

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# Catalogue of Consultation Questions

## The case for verifying identities

Q1. Do you agree with the general premise that Companies House should have the ability to check the identity of individuals on the register? Please explain your reasons.

Q2. Are you aware of any other pros or cons government will need to consider in introducing identity verification?

Q3. Are there other options the government should consider to provide greater certainty over who is setting up, managing and controlling corporate entities?

## How identity verification might work in practice

Q4. Do you agree that the preferred option should be to verify identities digitally, using a leading technological solution? Please give reasons.

Q5. Are there any other issues the government should take into account to ensure the verification process can be easily accessed by all potential users?

Q6. Do you agree that the focus should be on direct incorporations and filings if we can be confident that third party agents are undertaking customer due diligence checks? Please give reasons.

Q7. Do you agree that third party agents should provide evidence to Companies House that they have undertaken customer due diligence checks on individuals? Please give reasons.

Q8. Do you agree that more information on third party agents filing on behalf of companies should be collected? What should be collected?

Q9. What information about third party agents should be available on the register?

## Who identity verification would apply to and when

Q10. Do you agree that government should (i) mandate ID verification for directors and (ii) require that verification takes place before a person can validly be appointed as a director? Please set out your reasons

Q11. How can verification of People with Significant Control be best achieved, and what would be the appropriate sanction for non-compliance?

Q12. Do you agree that government should require presenters to undergo identity verification and not accept proposed incorporations or filing updates from non-verified persons? Please explain your reasons.

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Q13. Do you agree with the principle that identity checks should be extended to existing directors and People with Significant Control? Please give reasons.

## Requiring better information about shareholders

Q14. Should companies be required to collect and file more detailed information about shareholders?

Q15. Do you agree with the proposed information requirements and what, if any, of this information should appear on the register?

Q16. Do you agree that identity checks should be optional for shareholders, but that the register makes clear whether they have or have not verified their identity? Please give reasons.

## Linking identities on the register

Q17. Do you agree that verification of a person's identity is a better way to link appointments than unique identifiers?

Q18. Do you agree that government should extend Companies House's ability to disclose residential address information to outside partners to support core services?

## Reform of the powers over information filed on the register

Q19. Do you agree that Companies House should have more discretion to query information before it is placed on the register, and to ask for evidence where appropriate?

Q20. Do you agree that companies must evidence any objection to an application from a third party to remove information from its filings?

## Reform of company accounts

Q21. Do you agree that Companies House should explore the introduction of minimum tagging standards?

Q22. Do you agree that there should be a limit to the number of times a company can shorten its accounting reference period? If so, what should the limit be?

Q23. How can the financial information available on the register be improved? What would be the benefit?

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## Clarifying People with Significant Control exemptions

Q24. Should some additional basic information be required about companies that are exempt from People with Significant Control requirements, and companies owned and controlled by a relevant legal entity that is exempt?

## Dissolved company records

Q25. Do you agree that company records should be kept on the register for 20 years from the company's dissolution? If not, what period would be appropriate and why?

## Public and non-public information

Q26. Are the controls on access to further information collected by Companies House under these proposals appropriate? If not, please give reasons and suggest alternative controls?

## Information on directors

Q27. Is there a value in having information on the register about a director's occupation? If so, what is this information used for?

Q28. Should directors be able to apply to Companies House to have the "day" element of their date of birth suppressed on the register where this information was filed before October 2015?

Q29. Should a person who has changed their name following a change in gender be able to apply to have their previous name hidden on the public register and replaced with their new name?

Q30. Should people be able to apply to have information about a historic registered office address suppressed where this is their residential address? If not, what use is this information to third parties?

Q31. Should people be able to apply to have their signatures suppressed on the register? If not, what use is this information to third parties?

## Compliance, intelligence and data sharing

Q32. Do you agree that there is value in Companies House comparing its data against other data sets held by public and private sector bodies? If so, which data sets are appropriate?

Q33. Do you agree that AML regulated entities should be required to report anomalies to Companies House? How should this work and what information should it cover?

Q34. Do you agree that information collected by Companies House should be proactively made available to law enforcement agencies, when certain conditions are met?

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Q35. Should companies be required to file details of their bank account(s) with Companies House? If so, is there any information about the account which should be publicly available?

## Other measures to deter abuse of corporate entities

Q36. Are there examples which may be evidence of suspicious or fraudulent activity, not set out in this consultation, and where action is warranted?

Q37. Do you agree that the courts should be able to order a limited partnership to no longer carry on its business activities if it is in the public interest to do so?

Q38. If so, what should be the grounds for an application to the court and who should be able to apply to court?

Q39. Do you agree that companies should provide evidence that they are entitled to use an address as their registered office?

Q40. Is it sufficient to identify and report the number of directorships held by an individual, or should a cap be introduced? If you support the introduction of a cap, what should the maximum be?

Q41. Should exemptions be available, based on company activity or other criteria?

Q42. Should Companies House have more discretion to query and possibly reject applications to use a company name, rather than relying on its post-registration powers?

Q43. What would be the impact if Companies House changed the way it certifies information available on the register?

Q44. Do you have any evidence of inappropriate use of Good Standing statements?



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This consultation is available from: [www.gov.uk/government/consultation/corporate-transparency-and-register-reform](http://www.gov.uk/government/consultation/corporate-transparency-and-register-reform)

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