

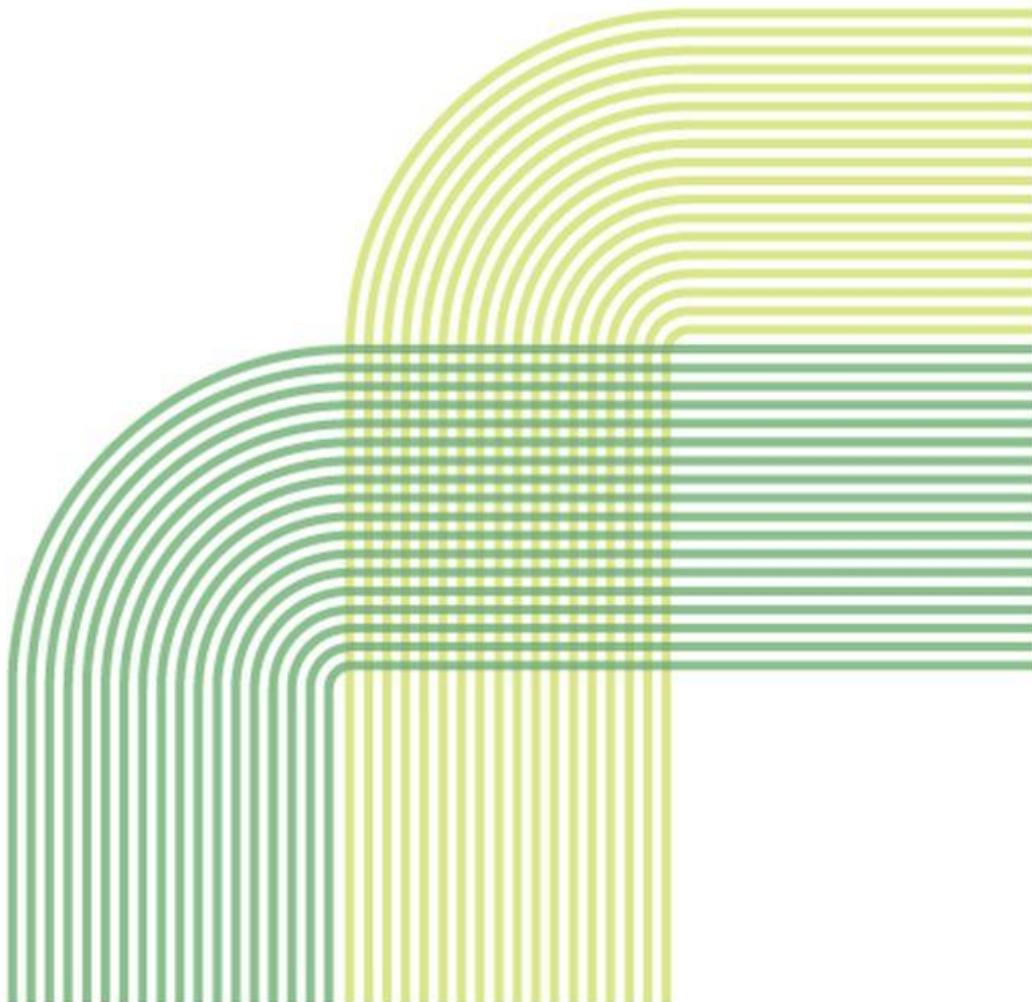


**IFF Research**

# Trust and Transparency Survey: Follow-up research

Prepared for the Department for Business, Innovation & Skills  
By IFF Research

February 2014



## Contact details

Rob Warren and Alice Large  
IFF Research Ltd  
Chart House  
16 Chart Street  
London N1 6DD  
Tel +44(0)20 7250 3035  
[rob.warren@iffresearch.com](mailto:rob.warren@iffresearch.com)  
[alice.large@iffresearch.com](mailto:alice.large@iffresearch.com)

The views expressed in this report are that of the authors and not necessarily those of the Department for Business, Innovation and Skills or any other Government Department

# Contents

<b>Contents</b> .....	<b>1</b>
<b>Executive Summary</b> .....	<b>5</b>
<b>Reasons for high cost figures</b> .....	<b>5</b>
<b>Changes to high cost figures</b> .....	<b>6</b>
<b>Reasons for low cost figures</b> .....	<b>6</b>
<b>Changes to low cost figures</b> .....	<b>7</b>
<b>Implications of new proposals for directors</b> .....	<b>7</b>
<b>Introduction</b> .....	<b>9</b>
Background.....	9
Aim and objectives .....	10
<b>Methodology</b> .....	<b>11</b>
Sample design, size and profile.....	11
Fieldwork .....	12
Companies surveyed .....	12
<b>Beneficial ownership</b> .....	<b>14</b>
Summary of beneficial ownership cost estimate reviews .....	14
Familiarisation with the reforms.....	15
High answers .....	16
Low and zero answers .....	17
Identifying and collecting information about the beneficial owner .....	18
High answers .....	18

Low and zero answers .....	19
Responding to a request about company's beneficial ownership.....	19
High answers .....	19
Low and zero answers .....	20
Process of collating, processing and storing data on beneficial ownership .....	21
High answers .....	21
Low and zero answers .....	22
Updating beneficial ownership information to Companies House on an annual basis.....	22
High answers .....	22
Low and zero answers .....	24
Updating beneficial ownership information to Companies House every time a change of ownership occurred.....	24
High answers .....	24
Low and zero answers .....	25
Change in response after provided with additional information about beneficial ownership proposals .....	27
Familiarisation .....	27
Compliance costs.....	28
<b>Front Directors .....</b>	<b>40</b>
Familiarity with general statutory duties of directors .....	40
Likelihood to use a new website from the government .....	41
Written communications from Companies House .....	42
<b>Corporate Directors .....</b>	<b>30</b>
Summary of corporate director section cost estimate reviews .....	30
Familiarisation with idea corporate directors would be prohibited .....	31

High answers .....	31
Low and zero answers .....	32
Removing and then replacing a corporate director .....	33
High answers .....	33
Low and zero answers .....	35
Removing or changing your directorship .....	37
High answers .....	37
Low and zero answers .....	38

# Executive Summary

In autumn 2013, a quantitative survey was carried out with companies to assess the potential impact of policy proposals set out for views in the BIS Discussion Paper *Transparency and Trust: enhancing the transparency of UK company ownership and increasing trust in UK business* (July 2013).

Analysis of the data from the survey identified a number of outlying cost estimates. This follow-up research was designed to help understand the reasons behind the very high and very low estimates. It also provided an opportunity to test the cost implications of developing proposals, following the original quantitative survey and the BIS Discussion Paper. A total of 43 companies were interviewed for the research.

In the initial quantitative survey, companies were asked to provide costs associated with a number of different elements of the proposals. They were asked separately about staff costs and external costs. In this follow-up research, those providing very high and very low estimates were asked to talk through the thinking that led them to these figures.

## Reasons for high cost figures

In several cases, companies maintained the high cost estimates that they gave in the initial interview, however a number of others revised their costs down. There were a number of reasons why initial estimates turned out to be inflated.

A key reason for the high staff costs estimated by companies was that they felt the proposals would potentially require quite fundamental changes to their business, which would therefore necessitate a high level of senior staff involvement, rather than involving tasks suitable for middle managers and administrative staff. Furthermore, there was a feeling among several companies, based on previous experiences, that dealing with regulatory change can often involve much more time than might initially appear necessary as one small change can unearth further issues that then need to be resolved. The types of tasks mentioned that would require extensive senior management involvement were undertaking research, board meetings, updating shareholders, liaising with third parties, and potentially undertaking larger tasks such as re-structuring of the company.

In some cases, it appeared that cost figures for familiarisation tasks had been inflated as companies had factored in costs relating to both familiarisation and compliance. Compliance costs were recorded separately in the interview, meaning that in some cases estimated compliance costs were in fact counted twice.

Similarly, in some cases companies had miscalculated staff costs (for familiarisation and compliance, amongst others) given in the quantitative survey, and had given the number of hours all of their staff would need to spend in total, rather than the number of hours per staff member, as had been asked. Therefore these costs were also inflated.

In addition, when answering questions dealing with scenarios that would occur on a regular basis (such as updating beneficial ownership information annually, or every time a change in beneficial ownership took place) some companies had given time estimates that would cover an average year, rather than a single occurrence, again leading to inflated figures. Some companies also mentioned that they would expect a task to be more time consuming the first time it was performed, but that this time would go down for later iterations.

Many of the outlying high cost figures from the initial quantitative survey included high figures given for additional costs. These include costs additional to direct spend on compliance. Companies mostly anticipated these costs as covering consulting with third parties such as lawyers and accountants, while costs given for replacing a director tended to involve fees for recruitment and advertising. While a good number of the companies stuck with these estimates when they were discussed in the follow-up research, it was clear that for some, they represented very much a worst case scenario. In this phase of research some companies said in fact it was possible that they would not need to incur legal fees etc.

In a few cases, companies had also included costs related to internal staff time in their figure for additional costs, again making the overall cost figures appear higher than they intended.

## **Changes to high cost figures**

In the process of discussing and explaining the basis of their quantitative estimates, some companies revised their original figures. When reviewing 'high' costs given for changes relating to company beneficial ownership proposals, in two cases companies felt their staff costs would increase, nine felt their original staff cost estimates were accurate, and 13 felt that their staff costs would decrease. Regarding additional cost figures, in 16 cases companies believed their original figures were correct, while eight provided lower estimates.

For costs relating to corporate director proposals, in one case a company felt their staff costs would increase, in 11 cases companies felt their staff costs would be the same as their original estimate, and in five cases companies felt their staff costs would be less. Regarding additional costs, in the majority of those asked (14 of 24), companies maintained their original estimate, while just three companies revised them down.

## **Reasons for low cost figures**

The primary reason for companies estimating very low or zero staff and additional costs was that they did not feel that the proposed reforms would have any impact on their company, and thus they would not need any time for compliance, and either no time or a very small amount of time for familiarisation (some firms felt that they would be able to tell 'instantly' that the reforms would not affect them and hence would not even need to review the documentation in full to establish it).

In terms of beneficial ownership, these companies felt they had simple structures and already knew who their beneficial owner was, and would thus not need to spend time identifying them or updating any records. With respect to corporate directors, the most common explanation given by companies for having estimated extremely low or zero costs for familiarisation was that they did not have a corporate director, and did not imagine that they would ever have a corporate director; therefore, the new proposals would not be applicable to them. None of the 19 companies interviewed had direct experience of corporate directors, and found it hard to explain and estimate costs for hypothetical situations.

## Changes to low cost figures

For costs relating to beneficial ownership proposals, upon reviewing the figures, in four cases companies felt that their staff costs would increase from zero, while in fifteen cases they believed they would remain low or zero. Regarding additional cost figures, there was just one case where a company increased their estimate, while in 18 companies believed their costs would remain the same as their original estimate.

For costs relating to corporate director proposals, in twelve cases companies felt their staff costs would be higher than the original low cost estimate, while in seven cases they felt it would be the same.

Conversely, for additional costs, there were just three cases of companies increasing their estimate, compared with 16 cases where they believed their original low or zero estimate was correct.

## Developing proposals for directors

As part of the *Transparency and Trust* project, BIS considered proposals to raise awareness of the duties that company directors have, with a view to discouraging breaches of these duties. Nineteen companies were asked about the duties of company directors, a new question not originally asked in the quantitative survey. The majority of companies felt they were familiar with the general statutory duties of directors, as set out in the Companies Act 2006. Their main sources of awareness were websites and Companies House literature. Companies did not predict particularly high costs for familiarising a new director with the content of their duties, generally expecting it to be no more than a few hours' work.

Companies responded positively to the idea of a new online source of information from the government setting out more information, and most stated that they would use such a facility. Similarly, the majority of companies said they would be likely to read a general written communication from Companies House.

However, companies responded more positively to the idea of receiving a direct communication from Companies House, and stated that they (and other directors) would be more likely to read a communication addressed specifically to them. All companies asked stated that they would be more likely to read such a communication than either a



general leaflet or a website. Companies did not feel that any large costs would be incurred as a result of reading such a letter from Companies House or subsequently acting upon it.

Around half the companies asked could not see any benefits of increased awareness of a director's general statutory duties. Benefits mentioned by the remaining companies included ensuring compliance, raising confidence in the business among customers and suppliers, and raising the honesty and integrity of business.

Because the wider proposals relating to directors might, in extreme circumstances, require the removal or replacement of directors, companies were asked to estimate the costs that would be involved in this process. The previous quantitative survey had asked questions about removing and replacing a corporate director, and nominee director and a disqualified director. Companies reported in this survey that they found it difficult to estimate costs for removing and recruiting directors, due to both lack of relevant experience and the unpredictable nature of such an exercise. As such, estimated costs for recruiting and training a new director ranged from £100 to £100,000.

Slightly more than half of companies were aware of the definition of a shadow director, of whom two felt they had been in a situation where they might have been a shadow director. Neither of them took any action in this situation.

# Introduction

**This report details the findings from qualitative research carried out to follow up quantitative research to measure the impact of policy proposals to improve Transparency and Trust in UK business. This qualitative research sought to gain a better understanding of outlying responses that were given at the quantitative phase.**

## Background

Lack of transparency in company ownership is a barrier to tackling criminal activity such as tax evasion and money laundering; this is closely linked to trust in business, which is important in encouraging investment and growth. In order to improve transparency and trust in UK business, BIS set out policy proposals in the discussion paper *Transparency and Trust: enhancing the transparency of UK company ownership and increasing trust in UK business* (July 2013).

The discussion paper covered proposals building on commitments the UK made at the G8 Summit in June 2013.

The proposals stated that, to ensure transparency in company ownership, a central registry is introduced that names all beneficial owners of a company. A beneficial owner in this sense is an individual who ultimately owns or controls more than 25% of a company's shares or voting rights (directly or indirectly), or who exercises controls over the management of the company in any other way.

Compiling the information necessary to feed into the registry may not always be simple for companies, for example where there are multiple layers of ownership, corporate directors (a legal entity, such as another company, holding a seat on the board) or nominee or 'front' directors (a director whose name is on the register but is acting on behalf of another natural or legal person).

The proposals also considered the abolition of these 'corporate directors' and prohibiting the issue of 'bearer shares', where the share is held by whoever holds the share certificate without the requirement for their name to be known by the company.

The discussion paper also covered proposals to prohibit corporate directors and issues around individual directors acting as "nominees" for others who control them; it suggested the registration of both parties. To improve trust the paper also outlined measures to tighten up the disciplinary procedures for directors, making them more accountable. The discussion paper also considered the abolition of anonymous bearer shares in UK companies.

A quantitative phase of research to establish the time and cost of complying with different elements of the new proposals and what actions would be needed to be taken as a response to the reforms, was conducted in autumn 2013. This comprised telephone interviews with 575 companies, conducted using Computer Aided Telephone Interviewing (CATI) software at IFF's in-house telephone centre. The companies surveyed were purposively selected from Bureau van Dijk's FAME database of enterprises in the UK to include a spectrum of company size and ownership complexity.

Following analysis of the data from the quantitative phase of research a number of outlying cost estimates were identified. BIS was interested in finding out more about why such answers were given and how valid and accurate they were. With this in mind, companies from the quantitative phase of research were selected as the sample for a follow up qualitative phase to seek a more in-depth understanding of their previous answers. At the same time BIS were keen to explore some additional aspects of the developing reforms. Three key groups were identified to approach for the follow-up stage; companies that provided a zero response at one or more of the cost questions, companies that provided a low response (defined as a derived cost of under £5) at one or more of the cost questions and companies that provided the top 10% of high responses at one or more of the cost questions.

## **Aim and objectives**

For a selection of questions in the quantitative phase, where companies were asked to estimate the time and costs associated with complying with different aspects of the reforms, BIS sought to understand the drivers of the costs and time that companies had previously provided. In addition to this, BIS sought to test new and more specific procedures that companies might undertake and how this better understanding of the requirements might modify their initial response.

The three key research questions underlying this survey were:

- Why did quantitative survey respondents give high, zero or near zero cost estimates?
- How would respondents cost estimates change if they were given a better understanding of what the proposed reforms would mean and what companies would have to do as a result?
- How would respondents react to developing proposals in relation to directors?

# Methodology

## Sample design, size and profile

The sample for the qualitative research was drawn from respondents to the quantitative survey who had agreed to be re-contacted. Prior to being interviewed, companies were asked a screening question to ensure that they were not listed on the main market of the London Stock Exchange or AIM<sup>1</sup> and were not wholly owned subsidiaries of listed companies. The developing position was that these companies were likely to be out of scope of some of the key potential reforms.

In the quantitative survey, cost to the company was measured using a three-stage approach for each element of the proposals, to ensure all costs (internal and external) were included in the answers given. Respondents were asked to estimate the number of staff at senior and middle management levels and the number of administrative staff that would be involved in the activity under consideration, followed by the average number of hours per person at each level that would be required. Internal time costs were then modelled using a national average hourly wage for each level of staff. Respondents were also asked to detail any other costs (for example outlay for new ICT systems, or costs of using external consultants) that they would incur in undertaking the activity being considered.

Quantitative respondents were selected for inclusion in the qualitative follow-up research if, at selected questions, they gave estimates leading to particularly high costs (in the top ten per cent of all costs), or if they gave estimates leading to costs of less than £5, or zero. These criteria resulted in a total of 310 usable records for the qualitative research.

The interview guide for the study was divided into three sections; Beneficial Owners, Corporate Directors and “nominee” or front Directors. Questions one to six of the Beneficial Owners section and questions one to three of the Corporate Directors section each referred to a specific question from the quantitative survey (shown in brackets), and the target companies to answer the questions were split between high and low cost estimates given in the quantitative survey.

Based on their responses in the quantitative survey, the sample was split into three groups:

- Those in the first group would each be asked two of the first six questions in the Beneficial Owners section, referring to their answers given in the quantitative survey, plus all would be asked the new question seven.

---

<sup>1</sup> This included companies on the following indices: FTSE 100, FTSE 250, FTSE SmallCap, FTSE Fledgling and AIM

- Those in the second group would answer one of the first six questions in the Beneficial Owners section, referring to their answer given in the quantitative survey, plus all would be asked the new question seven, and the new Directors section.
- Those in the third group would be asked all three questions in the Corporate Directors section, referring back to their responses in the quantitative survey, and then responding to follow-up questions.

## Fieldwork

Fieldwork was conducted from 30<sup>th</sup> January – 7<sup>th</sup> February, and consisted of telephone interviews lasting up to 30 minutes, depending on responses. Respondents were offered an incentive payment of £25 as a thank you for taking part. Each interview was fully transcribed and then entered into a framework for analysis.

## Companies surveyed

A total of 43 companies were interviewed. Table 1 shows the number of responses that were achieved to each question or section of the topic guide, split by whether the company gave a high or low cost estimate at the corresponding question in the quantitative survey.

**Table 1: Achieved number of responses to each question / section**

	Beneficial Owners Section						Q7	Front Director s Section	Corporate Directors Section		
	Q1 (B3 )	Q2 (C2 )	Q3 (C3 )	Q4 (C4 )	Q5 (C7 )	Q6 (C8 )			Q1 (D1 )	Q2 (D2 )	Q3 (D3 )
<b>High</b>	4	4	4	4	4	4	3 1	19	5	6	6
<b>Low</b>	3	3	3	3	3	4			7	6	6
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>3 1</b>	<b>19</b>	<b>12</b>	<b>12</b>	<b>12</b>

Due to the limited amount of sample, targets for company size and structure were not set. The final profile of achieved interviews by size and structure is shown below.

**Table 2: Achieved interviews by company size / structure**

Size	Micro/small	Medium/large	TOTAL
Complex	11	7	18
Reasonable complex	3	6	9
Simple	10	6	16
<b>TOTAL</b>	<b>24</b>	<b>19</b>	<b>43</b>

**Table 2.1 Interview profile (unweighted)- Original Survey**

Size / Structure	Micro/Small	Medium/Large	TOTAL
Simple	100	104	204
Reasonably complex	71	100	171
Complex	100	99	199
<b>TOTAL</b>	<b>271</b>	<b>303</b>	<b>574</b>

*Figures shown are the unweighted number of interviews – 574*

# Beneficial ownership

Central to BIS' discussion paper on Transparency and Trust was to ensure that it is possible to really know who owns and controls UK companies. In order to achieve this, the discussion paper proposed the introduction of a central registry of company beneficial ownership. A beneficial owner in this context is defined as any individual who ultimately owns or controls more than 25% of a company's shares or voting rights, or exercises controls over the management of the company in any other way. The following section re-examines answers given in the quantitative phase of Trust and Transparency research around beneficial ownership and provides more details on the tasks and time that companies felt would be involved in complying with the proposals.

## Summary of beneficial ownership cost estimate reviews

Table 3 shows a summary of whether companies who had originally given high cost estimates for the various beneficial ownership questions in the quantitative phase felt, upon reviewing the figures, that these estimates should be revised up, revised down, or remain the same. This section was asked of a total of 12 companies with high cost estimates, each responding to two questions. Note that these revisions were based on a review of the original questions asked in the quantitative survey only, rather than the revised costs given for the alternate scenarios discussed in the qualitative stage.

**Table 3: Summary of revised high cost estimates**

Question	No. of responses	Type of cost	Revised cost estimate:		
			INCREASE	STAY THE SAME	DECREASE
Q1 (B3)	4	Staff	-	2	2
		Additional	-	4	-
Q2 (C2)	4	Staff	-	1	3
		Additional	-	4	-
Q3 (C3)	4	Staff	1	1	2
		Additional	-	2	2
Q4 (C4)	4	Staff	1	1	2
		Additional	-	3	1
Q5 (C7)	4	Staff	-	2	2
		Additional	-	1	3
Q6 (C8)	4	Staff	-	2	2
		Additional	-	2	2
<b>TOTALS</b>	<b>24</b>	<b>Staff</b>	<b>2</b>	<b>9</b>	<b>13</b>

		<b>Additional</b>	<b>-</b>	<b>16</b>	<b>8</b>
--	--	-------------------	----------	-----------	----------

Table 4 shows a summary of whether companies who had originally given low or zero cost estimates for the various beneficial ownership questions in the quantitative phase felt, upon reviewing the figures, that these estimates should be revised up, revised down, or remain the same. This section was asked of a total of 19 companies with low or zero cost estimates, each responding to one question. Again these revisions were based on a review of the original questions asked in the quantitative survey only, rather than the revised costs given for alternate scenarios discussed in the qualitative stage.

**Table 4: Summary of revised low or zero cost estimates**

Question	No. of responses	Type of cost	Revised cost estimate:		
			INCREASE	STAY THE SAME	DECREASE
Q1 (B3)	3	Staff	-	3	-
		Additional	1	2	-
Q2 (C2)	3	Staff	-	3	-
		Additional	-	3	-
Q3 (C3)	3	Staff	1	2	-
		Additional	-	3	-
Q4 (C4)	3	Staff	1	2	-
		Additional	-	3	-
Q5 (C7)	3	Staff	1	2	-
		Additional	-	3	-
Q6 (C8)	4	Staff	1	3	-
		Additional	-	4	-
<b>TOTALS</b>	<b>19</b>	<b>Staff</b>	<b>4</b>	<b>15</b>	<b>-</b>
		<b>Additional</b>	<b>1</b>	<b>18</b>	<b>-</b>

## Familiarisation with the reforms

In the quantitative phase of research companies were asked about the process of familiarising themselves with the new reforms on beneficial ownership, including how many and what type of staff might be involved, how long it would take each of them and whether there would be any other additional costs in addition to staff time. In this qualitative follow-up phase we reacquainted companies with their previous answers and then asked if they could explain in more detail what formed the basis of their answers. For example, in relation to staff time they were asked what actions at each staff level would be taken to incur this amount of time and in relation to the additional costs they had previously given were asked what they envisaged would make up this cost and whether it would involve seeking any external advice.



If companies had previously said that it would have taken them no time for the company to familiarise itself with the reforms and would incur them no additional costs (hence arriving a derived cost of zero for this task) they were instead asked to explain why they didn't think the changes would cost them anything.

## High answers

Companies who were in the top ten per cent in terms of assigning the highest amount of staff time to tasks associated with familiarising themselves with the beneficial ownership proposals, were asked to re-examine the high time estimates that they gave previously. The four companies asked about this tended to think that most time on this task would be spent by those at the senior management level. One company assumed it would take one senior manager 40 hours to familiarise themselves with the proposals on beneficial ownership. When asked to expand on what would be involved in this time, the kind of things mentioned included digesting the information and the possibility they would have to liaise with third parties about it:

*I would have to digest whatever the new legislation is; I more than likely would want to compare my thoughts with an external or third party consultant-type arrangement to confirm my understanding. And then there would be a follow-on piece aimed at educating the rest of the team and the company to ensure that we are all up to speed...40 hours may sound like a lot but I was asked to give an estimate based on experience, and in my experience these things always take more time than you think.*

[micro/small, simple structure]

In considering the proposals for a second time there were some mitigating factors that companies implied would decrease the amount of staff time needed to be spent on familiarisation. One company said that at the time of the quantitative interview they had envisaged the changes were going to be an overhaul of the system, meaning there were going to be a lot of things that needed to be understood, however, if the changes were fairly simple then the time needed could have been over-estimated. Likewise, it was mentioned that the staff time needed for this would be dependent on the materials that were sent; if the materials were good then less time would be needed.

In terms of additional costs associated with familiarising themselves with the proposals, three companies surveyed for the follow up phase had assumed additional costs of £10,000 and one had assumed additional costs of £20,000. These additional costs were largely put down to external legal or accounting costs, and on the whole companies felt the figures they had given were justified:

*I just think a few hours by a lawyer, a day or two might cost that sort of thing and it might be more, might be in more than one jurisdiction so more than one lawyer, you seldom get them to do anything for less than five thousand quid anyway.*

[micro/small, simple structure]

Accounting costs were also cited as contributing to the additional cost of familiarising themselves with the beneficial ownership proposals, although it was evident that part of these additional costs would really be incurred when **complying** with the proposals rather

than simply becoming familiar with them. One company highlighted the need to ensure that whatever was reported was correct both from a UK tax law point of view and from various overseas jurisdictions point of view, and they would therefore need to involve external solicitors and internal and external accountants. Another company also perceived that external confirmation would be part of the process of the familiarising themselves with the proposals, although again, these may actually be costs more associated with compliance:

*Depending on what is put in front of me it's often good practice to get confirmation, agreement or acknowledgement externally. It would be consultancy and accountant's costs - it would probably take 1-2 weeks, with accountancy costing around £3,000 and consultancy costing around £7,000.*  
[micro/small, simple structure]

### Low and zero answers

Companies who stated it would take no staff time and would incur them no additional costs in order to familiarise themselves with the beneficial ownership proposals were asked why they thought this would be the case. Similarly, companies who said that it would take them very little staff time, and very little additional costs, and who therefore ended up with a derived overall cost of familiarisation of under £5 , were asked why they thought it would incur them so little time and cost in order to comply with this task.

On the whole these companies did not feel that familiarisation would take them any time as they were sure that there would be nothing that they needed to do in order to comply. Given the fact these companies felt they already knew who the beneficial owners were they did not think that new proposals in this area would have any implications for them and hence they felt they would be able to safely ignore the changes (without having to invest any time in familiarisation):

*We have 2 shareholders with 50% share each, they're both directors of the company, they both live together and one of them is me. So we are both well aware of the changes and we don't really need to do much else.*  
[micro/small, reasonably complex structure]

After probing for whether this was still the case, all three companies remained happy with their previous responses. One of the companies, who had provided a low estimate of it taking one middle manager a quarter of an hour, confirmed their previous answer, with the reasoning being that they only had one beneficial owner and short of reading the documentation to ensure that it was in line with expectations they didn't envisage it would have any greater impact on them.

In terms of additional costs, none of these companies felt there would be any additional cost. Reasons for this centred around that they did not envisage they would need any external advice in order to familiarise themselves with the proposals. One company did, however, point out that it was a difficult question to answer without seeing the proposals in full, as only once they had seen them would they know if they needed to seek external advice or not. They went on to state that if it was the case that they needed external

advisors, it would likely involve an accountant spending around a day on this, however, they were unable to equate this with a specific cost.

## Identifying and collecting information about the beneficial owner

Companies in the quantitative phase of research were also asked how much staff time would be involved in the process of identifying and collecting information about the beneficial ownership of their company. It was explained to companies that under the proposed system they would be required to obtain information on their beneficial owners and provide it to a central registry. Beneficial owners would be required to respond to the company's queries, but not to proactively disclose that they were the beneficial owner. For the follow-up phase companies were asked to think about the answers they gave previously and to provide more detail as to what formed the basis of their answers. They were also asked to re-consider any additional costs that may be involved in this process and what these might entail.

### High answers

Those companies that previously gave high estimates of staff time spent on identifying and collecting information about beneficial ownership, again, tended to have focussed on the amount of senior management time they felt would be required. One particularly high estimate at the quantitative phase was for two senior managers taking 680 hours each to complete this task. When asked to think about this answer in more detail the company clarified that it would in fact be 680 hours split between two senior managers, rather than each, and would in fact require slightly less time, around 450 hours between two people. This still fairly substantial amount of time was justified by the amount of time previously spent on having to acquire beneficial ownership information, which entailed going back and forwards with organisations in other countries every day for six months. Given the complexity of the company, they felt reasonably confident that a similar amount of work would be required under this new scenario- ie, were the proposed changes to take effect.

*Two staff members, because basically myself as senior manager would start the process and then after about four months I'll hit my head against a brick wall and pass it on to my managing director who will also spend a further 2 to 4 months working on getting the information.*  
[micro/small, complex structure]

Two other companies also decreased their estimates of staff time needed for identifying and collecting information on the beneficial owner after thinking about it in more detail. For one company, rather than ten senior managers spending 15 hours each on this, they felt a better estimate would in fact be two senior managers spending seven hours each. In addition, a day of middle manager time and two days of administrative staff time was estimated to be needed:

*We've had to do this in the past for Know Your Client and stuff for auditors etc. and it takes some time to get to the bottom of some of these trusts and ownership which may, be in other countries, sometimes in different languages*  
[micro/small, complex structure]

The other company who revised their staff time estimates, decreased their suggestion of two senior managers spending 80 hours each on this task to two senior managers spending 15 hours each on this task. Their previous estimate of 80 hours had been based on two senior managers spending around 40 hours each (i.e. a week) collecting and identifying information about the beneficial owner, although they clarified that this was perhaps the 'lead time' involved rather than time dedicated simply to this task.

*I would still be doing my full time job in between so not all of those hours will be spent just doing your task. If you said can you start the task today, I wouldn't be able to come back to you for at least a week. I'd have to do a day's research, I'd have to find the relevant contact numbers, I'd have to call the relevant clients, obtain the relevant information and document whatever it needed to be documented.*  
[micro/small, complex structure]

In terms of additional costs for identifying and collecting information on the beneficial owners, the highest cost given by a company surveyed in the follow-up research was £30,000. This was assigned to legal fees and was estimated at the same level even when asked to think about the scenario again. A further two companies said that additional costs would entail legal fees and accountancy costs would come in £3,000 and £3,500.

### Low and zero answers

All three companies surveyed as part of the follow-up research who said it would take no staff time and incur no additional costs in order to identify and collect information on beneficial ownership, explained that the reason for this was that they already had this information.

*It's a family-owned company so I actually know all the shareholders personally. Unless any of them change handles, unless we go public, unless blah blah... It's not going to happen.*  
[medium/large, simple structure]

## Responding to a request about company's beneficial ownership

The new proposals also involved the possibility that a company, if it held shares in another company, may have to respond to requests about their own beneficial ownership from that company. In the quantitative phase, companies were asked how much staff time would be involved in the process of responding to a request about beneficial ownership from that company, and whether there would be any additional costs as a result of this process. For the follow-up research a selection of companies who gave very high time and cost estimates or gave very low or zero estimates were asked to provide some more detail of the processes behind these answers.

### High answers

Companies with high staff costs for responding to a request about beneficial ownership cited a range of staff levels that would be involved in tasks associated with this; senior managers, middle managers and administrative staff. At the quantitative phase one company said that for this task it would require three senior managers spending five hours

each, three middle managers spending two hours each and one member of administrative staff spending ten hours on this task. After being asked to think about this again, this company explained that they had previously provided responses based on a whole year rather than a single request and therefore revised their answer to one middle manager and one administrative member of staff needing to spend half an hour each in order to comply with this aspect of the proposals. The same applied to this company's additional costs estimates for this task which decreased accordingly from an initial £4,000 to £100.

Types of procedures that companies giving high staff time and costs thought would need to take place included looking at the company register to find out who the beneficial owners were, authorising information requests and escalating queries up the company chain. For example, one company stated:

*A query like that would come through to the company secretary, who would just look at it and decide to escalate to the board. The board would then say if this is new legislation and whether or not they prefer not to comply with it, can we get the lawyers or auditors on it to check whether we do or we don't.*  
[medium/large, complex structure]

It was also implied that the process of responding to a request about beneficial ownership would quicken after it had taken place once and the process established (and hence that the estimated costs for the first request would be a worst case scenario):

*The first time the legislation will be dealt with, that would be the process, that's why I gave the numbers I did. Once that process is understood, then probably it will become second nature that when you own shares in a company you have to disclose who you are, then maybe the process is not as expensive.*  
[medium/large, complex structure]

When asked to think about additional cost associated with responding to requests about beneficial ownership, companies suggested they would need to incur additional spends on consultations with a solicitor to make sure that the Data Protection Act for example is not contravened (incurring a cost of approximately £2,000), consultations with external consultants (in the region of £500-£1,000) and seeking accountancy and legal advice (costing between £1,500 and £3,000).

### Low and zero answers

Two companies who gave very low staff time and costs for responding to a request about beneficial ownership stated that their costs would be very low because the structure of their company meant that they did not believe they would have to do much in terms of complying with the new proposals:

*We're only a small private owned company with a couple of shareholders so beneficial ownership is not really much of an issue. It would be one person (i.e. me) writing a letter I suppose, or responding to an email - no systems or infrastructures envisaged.*  
[micro/small, simple structure]

A third company, although maintaining they didn't think it would take up much time at all, re-estimated that this task may take one hour of a middle managers time, but no additional costs would be incurred.

## Process of collating, processing and storing data on beneficial ownership

Part of the new proposals on beneficial ownership will require companies to collate, process and store the data that they have obtained on beneficial ownership. Companies were asked in the quantitative phase how much staff time they perceived would be involved in this process and what additional costs they may incur as a result.

### High answers

When companies who gave high answers for this task in the quantitative phase were asked to re-examine the answers they previously gave they typically attributed tasks such as setting up spreadsheets and data bases to form the basis of the time spent on complying with this aspect of the proposals. One company who had said at the quantitative phase that it would take two senior managers 80 hours each to comply with this task, clarified that they actually meant it would take two senior managers 80 hours between them (40 hours each – equivalent to a week) to collate, process and store data on beneficial ownership:

*Probably 40 hours each because we'd have to set up spread sheets, our data base wouldn't hold this information so we'd have to set up and collate spread sheets and then store this information by hand. I can't store it on post it notes, it needs to be electronic. I'm just guessing it would take a week to sit there and type in 200 people's details. [micro/small, complex structure]*

It was noted in a couple of cases that it would have to be at the senior level that tasks associated with the collating, processing and storing of beneficial ownership information took place given that they would be the only ones who would know about the ownership of the shares.

High additional costs of the companies surveyed for this question ranged between £1,000 and £2,000. The company who originally estimated an additional cost of £2,000 said that now they know where this information on beneficial ownership is held, their additional costs would decrease drastically to £50 (to spend on a new safe to keep the data in). A company who originally cited £1,500 as their additional costs in this area justified that this cost would be spent on accountancy and IT costs and would probably take around three hours of time. A further company with additional costs of £1,000 said this still sounded about right and primarily covered legal fees:

*I was thinking that because we've got a foreign corporation I'm probably going to have to get lawyers involved to provide that information and make sure it's up to date and correct. If I said £1,000 that's probably about right, I think that's a reasonable estimate, lawyers don't come cheap, that's only a couple of hours' work of a lawyer.*

[medium/large, complex structure]

### Low and zero answers

Companies who provided very low staff time estimates for needing to collate, process and store information on beneficial ownership felt that they would only need to spend minimal time on this due to the fact their ownership structure was very simple and they already knew who their beneficial owners were. The consensus, after thinking through the process again was that it would take no more than an hour for them to comply with this aspect of the proposals.

*Well there is only one beneficial owner of our company. It would perhaps take one hour a year to do annual returns and perhaps just tidy up shareholder lists.*

[micro/small, simple structure]

Furthermore, no additional costs were predicted to be incurred as a result of this aspect of the proposals, again, given the fact that these companies felt it did not apply to their situation where they were already aware who the beneficial owners were.

### Updating beneficial ownership information to Companies House on an annual basis

During the quantitative phase of interviewing companies were asked to estimate how much staff time would be involved in updating their beneficial ownership information for their own records on an annual basis, once beneficial owners had been identified, and then providing details of any changes to Companies House annually. In addition they were asked if there would be any additional costs incurred as a result of this, on top of staff time.

### High answers

Of the companies we spoke to in the follow-up research about their previous answers, the company with the highest spend on staff time said that it would take two senior managers, 150 hours each to update beneficial ownership information to Companies House on an annual basis. When asked if this was still the case after thinking about it again, the company said that they estimated this would be about right:

*Per year 150 hours each - That wouldn't be far wrong because the trouble you have is he regularly moves his pension and obviously the way he has structured the business is so many of the shares are in his personal name and so many of the shares are in the name of the trustees... and the trouble is you've got to try and not only track down him but track down where he's moved his pension and also get the confirmation from those pension trustees of the beneficial ownership of that pension pot.*

[micro/small, complex structure]

Other companies followed-up had given lower staff time estimates, namely: one senior manager spending 40 hours on this task and; one senior manager spending two hours,

accompanied by an administrative member of staff spending six hours on this task. The company with a senior manager and administrative member of staff spending time on this task said that this sounded sensible, with a senior manager needed to sign off whether there had been any changes or not and an administrative member of staff needed to maintain the register of beneficial owners.

The company who previously said it would take one senior manager 40 hours, revised their answer to the much lower estimate of one senior manager taking less than an hour to comply with this task.

Without having had experience of undertaking these requirements, companies believed that these requirements would be roughly in line with other Companies House filing requirements.

When asked about additional costs associated with updating beneficial ownership information on an annual basis at the quantitative phase, responses for companies selected for the follow-up research ranged between £1,000 and £5,000. At the lower end of the range company's new estimates were roughly in line with their previous thoughts. For example, a company that had previously estimated additional costs of £1,000 said that this was about right, breaking this down into the cost of a Companies House report and legal fees:

*It would be about £80 for the report (from Companies House) and then I reckon you're looking at probably about another £900 to get the information out of the advisors. [micro/small, complex structure]*

At the top end however, the company who had previously estimated additional costs of £5,000 revised their answer, no longer feeling that it would cost their company anywhere near this, and would be more likely to cost them around £100. This was because, on further discussion, they felt that they would not need to incur legal fees for this particular task.

*I think the most likely outcome is that the cost will be negligible by which I mean less than £100 and it would be an awful lot to take it £5,000 to be honest on the basis that there's no cost in terms of fees, so we're only talking about internal time. [medium/large, simple structure]*

Likewise, a company who previously estimated that updating beneficial ownership information on an annual basis would cost them £2,000 in additional costs, felt on reconsideration that this cost was too high and was more likely to be around £200:

*I've probably gone a bit over the top there... I assumed that you needed to buy the whole computer as well. I think in that case the annual cost of doing it you are looking at I think we said 6 hours of a clerical staff, 2 hours of senior persons staff and £200 for the software. [micro/small, reasonably complex structure]*



## Low and zero answers

A company who said at the quantitative phase that it would take no staff time and incur no additional costs to update beneficial ownership information remained resolute that this was still the case when re-questioned:

*There's only me as a director, with one share, there are no other companies which are directors of the company. If I drop dead, the company would no longer exist. The information is already there: I own 1 share and that is that, and it's not like I am going to give myself more shares... I am not being awkward but that's how it is.*  
[micro/small, simple structure]

On the other hand a company who previously gave a low staff time estimate of one senior manager spending half an hour on this task, said that they did not recall giving this answer and it would take closer to two hours of one senior manager's time to comply with this task, although they did make it clear that this figure would be dependent on how many changes to beneficial ownership there had been in that year:

*If there was a beneficial change of ownership, the procedure would be; going online, filling in the appropriate Companies House forms and making sure they are filed properly. The process would be as time consuming compared to other returns required to be made to Companies House, I have to go online and do an annual return, that makes 15 minutes, I don't see why this should be any different – but it depends how many changes you've got to do.*  
[micro/small, simple structure]

Among the low and zero response companies at this question, none could envisage that there would be any additional costs associated with updating beneficial ownership information on an annual basis.

## Updating beneficial ownership information to Companies House every time a change of ownership occurred

In addition to being asked about the time and costs associated with updating beneficial ownership information to Companies House on an annual basis, companies were asked about doing this every time a change in beneficial ownership occurred. Again, companies both at the very high end and very low end of cost estimates in terms of staff time and additional costs were asked to think again about their answers and provide more detail as to how they arrived at their previous estimates.

## High answers

Companies who gave high estimates of staff time spent on updating beneficial ownership information to Companies House every time a change of beneficial ownership occurred, tended to estimate that this time would be spent by staff at the senior management level. One company who envisaged it would take one senior manager 40 hours to comply with this task, explained that this estimate was because they didn't know how he would find out the required information – they stated that somebody would have to tell them how to do it.

Another company who previously estimated that it would take one senior manager and one member of administrative staff 35 hours each to comply with this task, revised their answer to it instead taking one senior manager and one member of administrative staff a couple of hours to comply with the task – which would involve filling out the relevant Companies House forms. They put their previous estimate down to misunderstanding the complexity of the process involved.

In terms of additional costs associated with updating beneficial ownership information to Companies House every time a change of ownership occurred, responses were fairly varied. One company felt that now they knew where the relevant information was (having completed the quantitative phase of research), that they would reduce their previous estimate of additional costs of £1,000 to £50:

*Now I know where the information is and I have checked it, I would change it to £50 (1 hour for somebody to update it). Hopefully I would not consider external advice as we now know where the data is and how to access it.*  
[medium/large, simple structure]

Likewise, another company also felt that their previous estimate of additional cost was too high, reducing it from £5,000 to £500:

*That seems very high actually, and I'm not quite sure how we got to that figure. I think the cost of reporting would be in that cost which, so it would be around about a hundred pounds. Normal basis would be £500 I think. I wouldn't normally get legal advice unless I felt it was something I didn't really understand.*  
[medium/large, simple structure]

On the other hand, the other two companies surveyed with high responses at this question felt that the additional costs they had given were accurate. One company who had estimated an additional £2,500 spend to update beneficial ownership information every time a change of ownership occurred, felt that this would be needed to be spend on advice to find out how to dig out the relevant information and to research on how to do this. The other company remained sure in their estimate that it would cost them an additional £500 in legal fees to comply with this task.

### Low and zero answers

Four companies were asked in the follow-up research why they said at the quantitative phase that it would take no staff time and incur no additional costs to update beneficial ownership information every time a change occurred. Some suggested that this was the case because the way their business is structured a change of this nature was very unlikely to occur, therefore incurring no time or cost:

*No changes to these figures because the organisation is family-owned, and there wouldn't be any changes unless they sold the company so not expecting any changes to the business, wouldn't be able to estimate anything.*  
[micro/small, complex structure]

Along similar lines, another explained that as the scenario of a change in ownership had not occurred in their experience, they felt were not in a position to answer the question meaningfully:

*We're a wholly owned subsidiary of a French company...Our business is transparent on that front and it's outside of my comprehension and outside of my experience to, there is no way that ownership is going to change. It's been like that for a hundred years, you know, I didn't feel like I could really add very much to this because it's just not in our experience.*

[medium/large, complex structure]

## Change in response after provided with additional information about beneficial ownership proposals

As part of the follow-up research companies were also asked about some aspects of the proposals for which there was now updated information available on which to obtain more accurate answers. These areas were around obtaining beneficial ownership information and providing it to Companies House. Companies were asked to consider the scenario in which:

- Companies only had to proactively obtain information on beneficial owners already known to them, or if one member of their company owned more than 25% of the shares or voting rights;
- In all other cases, the beneficial owner had to provide the relevant information to the company, proactively;
- Companies had to maintain information on the beneficial owners' full name, date of birth, service address, residential address and details of their ownership or control of the company in a register held by the company;
- Companies had to provide details of any changes to Companies House in the context of the annual return process.

In addition to this information companies were asked to imagine that Government guidance for these proposed reforms was available and consisted of 13 pages of text.

On this basis companies were asked to consider whether the time and cost to their company they originally envisaged when thinking about these aspects of the proposals would increase, decrease or stay the same in relation to familiarisation with the proposals and compliance costs.

### Familiarisation

There were mixed responses among companies whether this new information meant that the costs they originally envisaged would go up, go down or stay the same.

Around half of the 31 companies that were asked this question felt that their costs compared to what they had originally envisaged would stay the same. These companies had tended to give staff time and additional cost estimates closer to the average, rather than very extreme responses.

The remaining half were evenly split between those that felt their costs would go up and those that felt their costs would go down as a result of this new information. One company who previously said that it would take one middle manager quarter of an hour to familiarise themselves with the reforms said that given the new information this time would increase to one hour:

*If you're insisting the 13 pages document is read, the information is already obtained and already reported to Companies' House annually anyway and if it doesn't change from year to year; then I guess it's just about the time it would take to read the document and confirm that we were actually complying with what the document says. I would probably say we are looking at the time going up to 1 hour (400%).*

[micro/small, complex structure]

In a few cases companies felt that reading 13 pages of guidance would increase their original estimates by around 50%, however, it is worth noting that this was often an increase of one person's time from half an hour to an hour, and so when converted to a financial cost would not have a large impact in the majority of cases.

In cases where companies felt that their costs of familiarisation would go down, what they had envisaged was a larger amount of legislation to read through that had more requirements. One company, who previously estimated it would take one senior manager five hours and £10,000 in additional costs commented:

*That would obviously take less if it could all be done by this and less digging had to be done and to make the explanation up front. Should reduce it by at least 25% if I have to give a number.*

[micro/small, simple structure]

Another company felt that in terms of understanding the information their previous estimates of two senior managers spending three hours each, two middle managers spending ten hours each and two administrative staff spending 20 hours each on familiarising themselves with the reforms (and no additional costs) would decrease by 50% given the new and updated information.

## Compliance costs

Companies were also asked about how the new information on the proposals affected their perception of how much they would have to spend on compliance costs. As with familiarisation there was also a mix of responses as to the effect that this new information would have. These responses were typically split between those that felt their time and costs would stay the same and those that felt their time and costs would decrease.

Those that felt costs associated with compliance would stay the same felt that even given the new information the work they would have to undergo would stay the same, or in some cases where they envisaged no work at all, this fact remained the same even in light of the new information.

However, some felt that it would create less of a burden on their company:

*Those times and costs would go down considerably. Down by 90% because all the work's done for you. They're just saying 'we're here, hi!'*  
[micro/small, complex structure]

*Go down by 25%, for the same reason as before because we would only have to do it for one shareholder and not three.*  
[medium/large, reasonably complex structure]

# Corporate Directors

The Transparency and Trust discussion paper sought views on prohibiting the use of corporate directors by UK companies. A corporate director is a legal person (eg a company) acting as a director. This was because corporate directors can introduce opacity into a corporate structure. The following section re-examines answers given by companies in the quantitative phase, and asks them to provide more details on the tasks and processes that would be involved in complying with the new proposals, as well as the impact that variations on the proposals would have on their costs.

## Summary of corporate director section cost estimate reviews

Table 6 shows a summary of whether companies who had originally given high cost estimates in the corporate directors section in the quantitative phase felt, upon reviewing the figures, that these estimates should be revised up, revised down, or remain the same. This section was asked of a total of six companies with high cost estimates, each responding to three questions (aside from one company, only had high cost estimates for two of the questions). Note that these revisions were based on a review or refinement of the original questions asked in the quantitative survey only (ie they were not new or revised costs given for alternative policy scenarios introduced for discussion in the qualitative stage).

**Table 6: Summary of revised high cost estimates**

Question	No. of responses	Type of cost	Revised cost estimate:		
			INCREASE	STAY THE SAME	DECREASE
Q1 (D1)	5	Staff	-	5	-
		Additional	-	5	-
Q2 (D7)	6	Staff	1	2	3
		Additional	-	3	3
Q3 (D8)	6	Staff	-	4	2
		Additional	-	6	-
<b>TOTALS</b>	<b>17</b>	<b>Staff</b>	<b>1</b>	<b>11</b>	<b>5</b>
		<b>Additional</b>	<b>-</b>	<b>14</b>	<b>3</b>

Table 7 shows a summary of whether companies who had originally given low or zero cost estimates in the corporate directors section in the quantitative phase felt, upon reviewing the figures, that these estimates should be revised up, revised down, or remain the same. Two of three questions were each asked of six companies with low or zero cost estimates, while the first question was asked of seven companies. Again these revisions were based

on a review of the original questions asked in the quantitative survey only, rather than the revised costs given for alternate scenarios discussed in the qualitative stage.

**Table 7: Summary of revised low or zero cost estimates**

Question	No. of responses	Type of cost	Revised cost estimate:		
			INCREASE	STAY THE SAME	DECREASE
Q1 (D1)	7	Staff	3	4	-
		Additional	1	6	-
Q2 (D7)	6	Staff	6	-	-
		Additional	-	6	-
Q3 (D8)	6	Staff	3	3	-
		Additional	2	4	-
<b>TOTALS</b>	<b>19</b>	<b>Staff</b>	<b>12</b>	<b>7</b>	<b>-</b>
		<b>Additional</b>	<b>3</b>	<b>16</b>	<b>-</b>

## Familiarisation with potential reforms to corporate directors

Companies were asked about the costs that would be involved, in terms of staff numbers and hours, in familiarising themselves with the idea that corporate directors would be prohibited.

A total of twelve companies were asked this question, of whom five had given extremely high cost estimates for this task in the quantitative phase, six had given estimated costs of zero, and one had given a very low estimated cost (less than £1). Eight of the companies fell into the medium/large size band, while four were micro/small. None of the companies had a corporate director, while one company said they were a corporate director for another company.

### High answers

Four of the companies with high cost estimates had high staff costs, ranging from £3,800 to £6,800, while all five companies gave high additional costs as well, from £5,000 to £50,000.

When asked to describe the actions they would need to undertake in order to familiarise themselves with the idea that corporate directors would be prohibited, it became clear that the estimated cost figures were unusually high at least in part due to the fact that these companies had included actions related to compliance as well as familiarisation:

*It's not as easy as I've read the paper, I understand it, because if you aren't compliant you then have to do something to make yourself compliant.*  
[medium/large, simple structure (company is a corporate director)]



Tasks mentioned included discussing the appointment of a new director, searching and appointing a new director and associated paperwork, consulting with accountants and solicitors, and re-structuring the company. This had a particular impact on the estimates given of how much time senior managers and directors would be obliged to spend on the task.

In terms of familiarisation, the tasks and processes mentioned by the most of the companies included the gathering of information and associated research; one also mentioned the need to compare the new reforms with current guidance, and another specified that some time would be needed for administrative staff to collate and distribute the information.

None of the companies offered revised estimates of the amount of staff time that would be required; however, as mentioned previously, the high costs seem to be based largely on the companies' assumption that they would also need to act to ensure compliance with the new reforms. We should also note the hypothetical nature of the questions (since none of these companies currently has a corporate director on their board). Indeed, one company specifically stated that they felt the process would be particularly time consuming as they were not familiar with corporate directors or current legislation regarding them.

Looking at the additional costs given, all of the companies stated that these would be mainly for legal advice and accountancy costs.

Companies were then asked what the impact would be on their cost figures if the Companies House guidance consisted of four pages of text.

Three of the five companies felt that this would decrease their estimated costs by around 50%; this was due to the fact that they had envisaged a lengthier document, and felt that a four page document would be less time-consuming and easier to comprehend, thus reducing the amount of time senior staff would need to spend on reading it, and also the amount of legal consultation that would be required.

One company felt that the document being four pages of text would decrease costs only slightly, as they would still need to engage with solicitors to look at the new legislation in detail, and there would still need to be discussions about it within the company. The final company stated that the guidance being four pages of text would not make any difference to their costs, as the costs related to solving the problems, rather than just reading the document.

### Low and zero answers

The most common explanation given by companies for having estimated extremely low or zero costs for familiarisation with the idea that corporate directors would be prohibited was that they did not have a corporate director, and did not imagine that they would ever have a corporate director; therefore, the new proposals would not be applicable to them personally and so there would be no need for familiarisation.

Another company stated that it would take virtually no time to understand a simple ban, as they would just need to read a notification letter; they therefore maintained their original

estimate of zero. The company that originally gave a very low estimate also felt that this was adequate, as he felt he already understood the proposals and would merely need to explain them to another director, which would take approximately five minutes.

Looking at the situation hypothetically, three of the companies that previously gave an estimate of zero gave a new estimate of the staff time and other costs that would be required to familiarise themselves with the idea that corporate directors would be prohibited, imagining that their company did have a corporate director. These new cost estimates given were £18 (one day for a middle manager), £572 (ten hours for a senior manager, in order to digest the impact of the new proposals), and £2,287 (two senior managers at 20 hours each, involving time spent discussing the new law and looking into the impact on the company) in addition to potentially “several thousand pounds” for external professional advice.

Companies were then asked what the impact would be on their cost figures if the Companies House guidance consisted of four pages of text.

Around half the companies felt that this would not have an impact on their costs, while the other half felt that there would be a slight increase based on the length of time it would take to read a document of that length and then to brief any other relevant staff members. These increases were expected to be quite small, with two companies specifying it would take them up to one hour to read and digest such a document. One company also felt that in this scenario they might wish to consult a solicitor, which would incur costs of up to £1,000.

## Removing and then replacing a corporate director

Companies were asked about the costs that would be involved, in terms of staff numbers and hours, of potentially removing a corporate director on their board (assuming that they had one) and replacing with a ‘natural person’ (an individual acting as a director) if they choose to do so.

A total of twelve companies were asked this question, of whom six had given extremely high cost estimates for this task in the quantitative phase, five had given estimated costs of zero, and one had given a very low estimated cost (less than £1). Eight of the companies fell into the medium/large size band, while four were micro/small. None of the companies had a corporate director, while one company said they were a corporate director for another company.

## High answers

In line with the previous question, while one of the companies gave fairly average staff costs for removing and then replacing a corporate director in the quantitative phase, staff costs for the remaining five companies ranged from £3,800 to £6,800. These costs mainly arose from the number of hours companies estimated senior managers would need to spend on the tasks, with two companies stating it would take one senior manager 100 hours, and the others estimating it would take two to three senior managers around 40 hours each.

When asked about the costs of removing and then replacing a corporate director, most of the companies acknowledged that their previous cost estimates (for familiarisation) had actually encompassed this element as well, and therefore either one or the other could potentially be revised down.

Two of the companies made specific revisions to their estimations of the amount of staff time that would be required, as shown in Table 9 below.

**Table 9: Revised costs for removing and replacing a corporate director (high responses)**

Company size / complexity	Staff numbers / hours from quantitative phase	Original cost	Revised staff numbers / hours	Revised cost
Simple, micro/small	1 senior manager, 100 hours	<b>£4,820</b>	1 senior manager, 50 hours	<b>£2,410</b>
Simple, medium/large	3 senior managers, 40 hours each	<b>£6,860</b>	2 senior managers, 40 hours each	<b>£4,574</b>

Tasks that companies mentioned would be involved in removing and then replacing a corporate director included consulting with accountants and solicitors, recruiting or identifying and interviewing replacement directors, briefing and training the new director and associated paperwork, and updating records. Costs were not separated here for removing the corporate director, and for the replacement of a corporate director.

All of the companies gave unusually high additional costs for removing and replacing a corporate director; these ranged from around £5,000 up to £100,000. Upon reviewing the question, while all of the companies maintained that there would be additional costs, in most cases they felt that the cost would be lower than their original estimate. In one case this was because their original figure had included staff costs, while the company that gave the cost of £100,000 stated:

*On reflection, that feels a little bit high really. Maybe I didn't quite understand the question. I can't possibly think how I got to these figures.*  
[medium/large, simple structure]

The company had given PR and marketing expenses as the reason for the £100,000 additional cost in the quantitative phase, however in the follow up interview they stated that there would not be any PR or marketing expenses, and the only additional cost would be for external advice, costing up to £5,000.

The companies gave a variety of reasons for the external costs quotes, including general disruption to the business, recruitment costs, costs associated with making changes to contracts, and general legal and accountancy costs.

The companies were then pointed towards the (current) process for filing necessary documents at Companies House –to remove a corporate director they would have to fill out Companies House form TM01 (2 pages long) and to appoint a new director they would have to fill out for AP01 (4 pages long) after identifying a replacement director.

One company felt that this would reduce their estimated costs by 50%; however, the other five companies all stated that this would make no difference to their costs. This was due to the fact that they felt the paperwork itself was only a minor part of the overall task, and that the costs would arise from the knock-on effects of making such a change to the directorship; all the above staff processes and additional costs (relating to recruitment, company structure, legal advice etc.) would still stand, regardless of the specific forms required.

Finally, the companies were asked how it would affect their compliance costs if they had to remove a corporate director and fill out form TM01, but chose not to replace them with a natural person. In this case, all of the companies felt that their costs would be reduced significantly (by between 40% - 75%), although some queried the consequences of having no replacement.

### Low and zero answers

Once again, previous estimates of zero costs were largely based on the fact that the companies did not have a corporate director and did not feel that the situation was relevant to them.

The company that gave very low costs stated *“I wouldn’t have expected it to take very long because it is a very simple thing as far as Companies House is concerned.”*

All the companies gave revised figures based on the hypothetical situation of having to remove a corporate director and replace them with a natural person. Due to the number of new costs, these have been shown below in Table 9.

**Table 9: Revised costs for removing and replacing a corporate director (low responses)**

Company size / complexity	Staff numbers / hours required	Total staff cost
Reasonably complex, medium/large	3 administrative staff, 1 hour each	<b>£34</b>
Reasonably complex, medium/large	3 senior managers, 7 hours total	<b>£395</b>
Simple, medium/large	1 middle manager & 1 administrative staff, 7 hours each	<b>£248</b>
Complex, micro/small	1 senior manager, 1 hour	<b>£18</b>
Complex, medium/large	1 senior manager, 2 hours	<b>£48</b>
Reasonably complex, medium/large	1 senior manager, 10 hours	<b>£572</b>

None of the companies believed that any additional costs would be required aside from staff time, although one suggested that there could be a possibility of legal fees. The main tasks that were anticipated were looking into legalities, putting in the application, lodging papers at Companies House, and getting approval from a regulator.

The companies were then pointed towards the (current) process for filing necessary documents at Companies House –they would have to fill out Companies House form TM01 (2 pages long) and to appoint a new director they would have to fill out for AP01 (4 pages long) after identifying a replacement director.

The consensus was that having to complete these forms would increase their compliance costs; one company felt that the cost would increase ten-fold, while the majority stated that it would only be a fairly marginal increase (up to an extra half a day). This extra cost would be made up of the time taken to physically locate, complete and send off the forms; one company stated that the complexity of the form and level of detail required would have an obvious impact.

Finally, the companies were asked how it would affect their compliance costs if they had to remove a corporate director and fill out form TM01, but chose not to replace them with a natural person. All of the companies felt that in this situation their costs would remain the same as the estimates given in Table 9.

## Removing or changing a company's corporate directorship

Companies were asked about the cost to their company if their company was acting as a corporate director on another company's board, and corporate directors were prohibited. This could mean they would need to either remove their directorship or change their directorship to a natural person. Firstly they were asked to estimate the amount of staff time that would be involved.

A total of twelve companies were asked this question, of whom six had given extremely high cost estimates for this task in the quantitative phase, five had given estimated costs of zero, and one had given a very low estimated cost (less than £1). Eight of the companies fell into the medium/large size band, while four were micro/small. None of the companies had a corporate director, while one company said they were a corporate director for another company.

### High answers

Once again, the high staff cost estimates given in the quantitative stage derived from anticipated high levels of senior management involvement, with the highest assuming it would take three senior managers 80 hours each to remove or change the company's corporate directorship, leading to an overall staff cost of £13,700. Other companies estimated that senior managers would need to spend between 10 and 40 hours each.

The principal task identified for these senior managers was identifying a person within the company to take on the role of 'natural' director, which could prove difficult; other possible tasks included informing Companies House, re-organising the company structure, reviewing the situation and all necessary information, and consulting with lawyers. Some time for administration staff was also envisaged, to handle all of the paperwork associated with the changes.

Two of the companies revised their staff costs down having reviewed their previous answers: one believed that their previous figure of 40 hours each for two senior managers should have been 20 hours each, bringing staff costs down from £3,860 to £1,930, while the other felt that their previous estimate of 30 hours for one senior manager could be reduced to 20 hours, bringing staff costs down from £1,450 to £960.

All of the companies estimated high additional costs for removing or changing their directorship if they were acting as a corporate director; these ranged from £5,000 to £50,000. In this instance, all of the companies felt that their previously stated costs were reasonable, although one stated that he may have over-estimated.

Companies had in mind the following tasks and processes when estimating what the additional costs:

- Updating company website and stationery
- Recruitment costs (with one company, which does currently act as a corporate director, anticipating advertising costs of £30,000)

- Investigating client companies
- Legal and tax fees
- Financial consultation

Companies were then asked about a situation where their company hypothetically was a corporate director on another company's board; they were asked about the cost impact if the company with the corporate director on their board had to process the change with Companies House (ie their own company would not be required to notify Companies House of any changes), and if the corporate director might undergo the cost of selecting a new natural person to replace the original corporate directorship.

Four of the companies felt that the process, and therefore the costs, would remain the same as their original estimate, in particular the costs associated with selecting a new natural person to replace the original corporate directorship. One company felt there would be a slight decrease in costs (of 5-10%, so falling from £32,800 to around £29,500), as there would be less compliance activity involved, while the final company felt that their costs would decrease substantially (by around 80%, falling from £6,200 to around £1,240), as all the forms would be handled by the other company; however, the respondent stated that this would depend on whether they did in fact have to undergo the cost of selecting a new natural person.

Finally, companies were asked how their costs would change if they chose not to replace the corporate director with a natural person. One company felt that this would decrease costs by an additional 10% on top of the 80% they mentioned in response to the previous question, leading to a new overall cost of £1,116. Another company who felt that it would decrease costs specified that their additional costs would fall from £7,000 (for reprinting all company stationery and updating the website) to £5,000.

One company felt that by not replacing their corporate directorship with a natural person they could potentially lose money, thus increasing the cost to the company:

*Well, would there be any cost in us doing that, well of course there would be a loss of fees, a considerable loss of fees.  
[micro/small, simple structure]*

The remaining companies felt that their costs would not be altered by this scenario.

### Low and zero answers

The company with the very low costs (as opposed to zero costs) felt that their original answer was correct, as they believed that removing and then replacing a corporate director with a natural person would just be a technicality and take very little time to sort out. However, if anything contentious arose, then this could involve a board meeting and increase the amount of time spent to several hours.

Two of the companies with estimates of zero costs in the quantitative survey agreed with these estimates upon being asked to review the question: one felt that it would be the

responsibility of the other entity to make any necessary arrangements, while the other stated that it was a situation that would be handled by their sister company rather than themselves.

The three remaining companies gave revised staff cost estimates of £572 (for the time taken for a senior manager to understand and deal with the paperwork to nominate an individual instead), £408 (in order to delete their directorship from Companies House and nominate a new natural director, requiring time from one middle manager and one administrative staff member), and £115 (involving an hour each for two senior managers, in order for them to get together and look at the implications; the respondent felt that it wouldn't actually take much time to change the directorship to a natural person, as long as the individual was prepared to do it).

In terms of additional costs, one company estimated having to spend up to £5,000 in legal fees, while another estimated paying less than £500 for legal costs. No other additional costs were anticipated.

Companies were then asked what the cost impact on the company would be if their company hypothetically was a corporate director on another company's board, if the company with the corporate director on their board had to process the change with Companies House (while they themselves would not be required to notify Companies House of any changes), and if the corporate director might undergo the cost of selecting a new natural person to replace the original corporate directorship.

On this basis, the majority of the companies felt that their compliance costs would not change from their original estimates; one felt that it would reduce (by about 25%), as the other company would deal with processing the change at Companies House, while another felt that it might require an extra hour of time for an administrative staff member, in order to maintain their files and digital archive for legal documents.

Finally, companies were asked how their costs would change if they chose not to replace the corporate director with a natural person, with the majority feeling that it would not have an impact on their costs. One company felt that the situation was unrealistic, as presumably there was a good reason for the directorship existing:

*you have to assume that there was a good reason for it to want to be a corporate director in the first place from the point of view of control or oversight, and if you then found out that you couldn't do it that way, I think it's inconceivable that the response would be 'oh well fine and let's just not bother having a directorship at all.' You would find out what was the next best way of achieving the same end result of the control and oversight that you wanted.*  
[medium/large, reasonably complex structure]



# Directors

**BIS are considering means of raising awareness of the duties directors have, and thereby discouraging breaches of them. Options include new information on the internet and targeted communications (from Companies House) to raise awareness of directors' duties and liabilities under the current legal system.**

**These questions were not asked during the initial quantitative phase. This section of the qualitative survey was asked of 19 companies in total.**

## Familiarity with general statutory duties of directors

Companies were asked how familiar they were with the current general statutory duties of directors, as set out in the Companies Act 2006; respondents were reassured that it would not be a problem to say that they were not aware. The majority of companies stated that they had at least some awareness, with only two saying they had none. Of those who were aware, six believed they had very good awareness, eight felt they were fairly aware, and three felt that they had a reasonable level of awareness.

Many companies stated that they became familiar with the general statutory duties of directors by looking online, with several mentioning the Companies House website, and one mentioning the HMRC website. Other sources of information mentioned were reminders and literature from Companies House and having to take exams. One respondent stated that as a new director they were given a pack by the company which explained their duties.

The two respondents who said they were not familiar with the statutory duties of directors were asked how long it would take them to familiarise themselves, and what they would do. Both felt that it would not take long and would be easy to achieve by looking online:

*It won't cost anything and would just require me to look on Companies House website, and probably take me 30 minutes.  
[micro/small, reasonably complex structure]*

Companies were then asked how they might go about familiarising a new director with the content of their general statutory duties, and how much time it would take their senior managers, middle managers and administrative staff.

The majority of companies felt that the task would only involve their senior staff, and in almost all cases take them between one and two hours, with two companies estimating it could take up to half a day. Just three companies expected middle managers to spend time on the task, with two of these saying the time required would be one or two hours, and one saying it would be four hours. One company anticipated their administrative staff spending time on the task, of up to one hour for each of four staff members.

In two cases companies stated that they would not expect to need to familiarise a new director with the content of their statutory duties, as they only appoint experienced directors and would thus expect them to already be familiar.

In order to familiarise a new director with their duties, companies mentioned using online resources such as the Companies House website or the various booklets that are available. One company stated that they have a communication pack that is given to directors when they join, that would contain the information.

One company also mentioned that they believed there would be an additional cost for legal fees:

*I would probably want to seek company secretarial confirmation and that would probably be around £500, this would be classed as legal costs (company secretarial). Hypothetically this would take 3 hours. This is to be absolutely sure if you ask directors to sign away that they have understood their responsibilities; you have to provide the technical support to be able to do so.*  
[micro/small, complex structure]

## Likelihood of engaging with online information from the government

Nine of the companies were asked whether they would use updated online sources from the government setting out more information in relation to directors' duties<sup>2</sup>. Reactions to the idea were mainly positive. Seven of the nine companies were clear they would, while two were more thoughtful and qualified in their responses. Comments were that such a website would be useful, it would moreover provide a useful link that the respondent could pass around to directors and that it would be very helpful to have a website specifically setting out this information in one place (so long as it used simple terms and was user-friendly):

*Admittedly, most websites in the industry I don't use; if you take the HMRC one: all the information is on there but it is so illogically presented to anybody who is trying to use it and is not au-fait on the actual going-ons and what they are looking for. They need to put it up in simple terms in the front and drill down behind it, so you can go further into it as far as you need to. The information is there most of the*

---

<sup>2</sup> Only nine were asked this question as it was added part way through the fieldwork period. The question was phrased in terms of a "new website."

*time, but it's just completely opaque.*  
[medium/large, simple structure]

Of the two respondents who were unsure and more qualified in their reaction to the question about whether they would use a new online source of information: one respondent might not personally have used the new online information but hoped others in his company (specifically the chairman of the board) would; the other would only want to use such a website if it were clear it was linked to gov.uk and trustworthy. They were of both of the view it might be better to have the information contained within the main government website rather than in a sub-site, to avoid the need to visit larger numbers of websites.

## Written communications from Companies House

The 10 companies interviewed during the first half of the quantitative fieldwork were asked, in the current system, how likely they would be to read any communications from Companies House which explain the duties of directors. Seven stated that they would read it, of whom four said they would be 'very likely' to read it. One company stated that they would probably not read it, while a further two said that it would depend on who specifically received it:

*The directors would read it if sent to them directly, if not they would expect it to be brought to their attention.*  
[micro/small, complex structure]

The same companies were then asked about a potential situation where confirmation of understanding of directors' duties were required; they were asked how likely they would be to read any communications from Companies House which explained the duties. The company that responded 'probably not' to the previous question gave the same response here; however, the other nine all said that they would be very likely to read the explanatory communication.

The nine further companies interviewed in the latter part of fieldwork were asked about a scenario where Companies House wrote to them, perhaps sending them a leaflet, informing them of their duties; they were asked whether they would read it or not; and furthermore, if they would be more or less likely to read communications from Companies House relative to looking at the website.

One company stated that they would not be likely to read this, and felt that it would be better for Companies House to send an email. However, the remaining eight companies all stated that they would read the communication from Companies House, and that they would be more likely to read this than the website; one stated that a leaflet would be more proactive, while another expressed a preference for reading a hard copy rather than electronic. Three companies stated that they would always be more likely to read a direct communication, with one saying:

*To receive a direct communication... it's very difficult to ignore, and I'm thinking not just from my own point of view but from the directors' point of view, rather than an*

*active requirement to go and look for something on a website.*  
[medium/large, complex structure]

These nine companies were then asked to consider being a new director at the time of their appointment into the role, and receiving a personal communication from Companies House on their appointment, setting out information about directors' duties and responsibilities, advising them how to resign if they were not minded to continue in the role of director given the legal responsibilities, and setting out that they have, as a director, been informed of and have acknowledged their legal duties (with a reminder that duties will apply in all circumstances and ignorance of the law remains no excuse).

The companies were asked whether they would be more or less likely to consider this communication, in comparison to a general leaflet or information on a website; all of them stated that they would be more likely. Reasons for this were mainly that they would pay greater attention to a personalised message. There were also positive reactions from two companies regarding the specific reminder of legal duties:

*Being reminded that you have a lawful duty to do things is always good for concentrating the mind*  
[micro/small, reasonably complex structure]

*I have to say it would be a really good idea. I have recently appointed two new directors and I do believe that they believe that they have just been promoted and they see a better job title. I'm not entirely sure they fully appreciate their legal obligation.*  
[medium/large, reasonably complex structure]

The nine companies were then asked how much it would cost their company to read a two to three page letter from Companies House, and how much this estimate would change if that were a four to six page letter. For the first instance, companies did not feel it would take much time, with the most common estimate being 15 minutes for each director. If the letter were four to six pages, this time would increase, but generally only by double or less.

Finally, the companies were asked how much it would cost them to act on the basis of the letter; this could involve a director choosing to become better acquainted with their statutory duties and related liabilities, or the company choosing to ensure its directors are better informed about the duties.

Four companies felt that there would be either no costs or very negligible costs, while a further three said it would only involve a directors time, with time estimates given of two hours, four hours, and 'less than a day'. One company stated that they would require up to four hours with a solicitor to advise their directors, at a cost of £1,000; while the final company estimated that three directors would have to spend 30 minutes each, with additional costs of £500 for legal and accountancy advice.

## **Benefits of increased awareness of a director's general statutory duties**

The 19 companies were asked to describe the benefits they might see for themselves, or companies they trade with, if there were increased awareness of a director's general statutory duties.

Around half of the companies stated that they could not see any benefits; reasons given for this included the belief that they already felt themselves to be fully aware, and that they only dealt with companies they already trusted. One company stated that they primarily dealt with overseas companies, and so this increased awareness would not impact them.

The remaining companies listed a variety of specific potential benefits, each being mentioned by one or two companies:

- Ensuring proper compliance with the duties
- Raising the confidence of customers and suppliers
- Raising the integrity and honesty of business
- Likely to help avoid issues within the company
- Fewer issues with big corporations flouting the law
- Easier to trust other companies

More general benefits given included a sense of reassurance, greater awareness being a good thing in general, and it being beneficial for other companies..

## Shadow directors

A shadow director is someone who is not a director but exerts influence over the company via its board of directors: 'a person in accordance with whose directions or instructions the directors of the company are accustomed to act'. Nine companies in the second half of the qualitative fieldwork were asked if they were aware of current definition of a shadow director. Five stated that they were aware of the definition, while four stated that they were not.

The respondents were then asked if they had ever been in a situation where they thought they might be a shadow director, and, if yes, what action they took. Six of the respondents said they had never been in that situation, while one thought they might have been, as they gave advice to another company.

Of the two respondents who said that they had been in a situation where they might have been a shadow director, both said that they took no action, with one stating:

*I just had to be aware that if I thought I wasn't going to be responsible for anything actually that was not true and I am [responsible]. But not that I was trying to shirk my responsibilities, it's just that as Company Secretary I hadn't really assumed that that was going to be the case, but then when I read what the definition was it was*

*obvious over the last six months that that had been the case.*  
[micro/small, simple structure]

## Removing and recruiting directors

The 19 companies were next asked, if a director were removed, for instance to ensure the company were compliant with moves to reduce the use of corporate and ‘nominee’ or front directors, how much the removal would cost. Companies found this a difficult question to address, due to not having relevant experience; seven companies responded that this question was not relevant to their business and so they could not provide a cost, and a further three merely stated that they had no idea what the cost would be.

Three companies believed that there would be no cost, while two assumed that there would be redundancy costs, and one thought there would be personnel and legal costs, although none were able to give detail on how much those might be.

Two companies suggested costs on a hypothetical basis, with one supposing that both director and administration time would be required, and a chance of legal costs in the event of having to fight a case for wrongful dismissal, and as such estimated potential costs of £100,000. The other company also stated that each director would need to spend around eight hours dealing with the situation, as well as seeking external legal advice, leading to costs of not less than £1,000.

One company gave a very specific estimate of a total cost of £250,000; within this figure, £10,000 would be for legal costs, £1,000 for IT costs, and £10,000 for accountancy costs; the remainder would be made up of statutory payments (compensation) to the individual.

Next, the companies were asked what it would cost to recruit a new director and get them up and running, and what factors would affect this. A handful of companies said that they would not expect it to cost anything, and a further two believed it would only take a fairly small amount of staff time (up to one day).

A number of companies acknowledged that there would be a cost, but found it difficult or impossible to give a figure. One stated:

*It's probably something that we actually would think about and cost. The directors, when we have recruited them on the last two or three occasions, I mean, it's a matter of going to our stakeholders and seeking their advice and representations, having a number of conversations and following those through and I think that's, you know, that's a very difficult thing to put a cost on it's not like, you know, what is the cost of acquiring a new photocopier.*  
[micro/small, simple structure]

There was a large amount of variety among the companies that were able to provide cost figures; these have been set out in Table 5.

**Table 5: Estimated costs for recruiting and training a new director**

<b>Company size / complexity</b>	<b>Tasks required</b>	<b>Cost</b>
Micro/small, complex	Set up payroll, time spent getting them in	<b>£100 - £200</b>
Medium/large, complex	Recruitment fees and management time training	<b>£10,000 - £50,000</b>
Micro/small, complex	Promote from within, training only (external recruitment – conduct interviews)	<b>£2,000 (£25,000)</b>
Micro/small, complex	Head hunter's costs, time interviewing (up to 50 hours)	<b>£50,000 - £100,000</b>
Micro/small, complex	Advertising and interviews in Germany, cost of flights, registration with Companies House	<b>£5,000 - £6,000</b>
Micro/small, reasonably complex	Time spent, contract, updating records with Companies House, external recruitment	<b>£1,000</b>
Medium/large, reasonably complex	Recruitment agency, time interviewing, background checks	<b>£50,000</b>
Micro/small, simple	Head hunter fees, interviewing time, development costs, security checks	<b>£10,000</b>

# Annex A: Questionnaire

BIS Trust and Transparency Follow Up

J5326

Date 17/12/14

Telephone

---

## Objectives

The three key research questions underlying this survey are:

1. Why did survey respondents give high, zero or near zero cost estimates?
2. How would their cost estimates change if they were given a better understanding of what the proposed reforms would mean and what companies would have to do as a result?
3. What do respondents expect the updated 'front' directors policy to cost?

## Interview selection

We would like to interview 42 companies for a duration of around 15 minutes, each selected based on the quantitative responses they gave in the first sample. We would like to interview three key groups to identify why survey respondents gave high and zero-responses:

- **Companies which provided a zero response**
- **Companies which provided a low response (i.e. small non-zero response <£5)**
- **Companies which provided the top 10% of responses**

For each quantitative question, firstly we are seeking to understand the drivers of the costs the respondents previously provided, then secondly we are aiming to test new and more specific procedures that companies might undertake - we would like respondents to be asked how this better understanding of the requirements might change their answer. This may require several probing questions to ensure respondents provide sufficient detail to allow us to understand what is driving the reported costs.

We would be open to IFF Research interviewing companies only for the questions they provided 'extreme' responses (i.e. where they fall into one of the three categories listed above). This would reduce the length of interviews and enable more interviews to be conducted. As such, the below questions should be viewed as a 'menu' from which interviewers select relevant questions – we have also listed a series of probing questions, which interviewers may ask if relevant. However, we would require all companies surveyed to respond to section B related to front directors.



We already have the detailed profiling information for each company so we would hope that interviews will take less than 15 minutes.

## S Screener

ASK TELEPHONIST IF HAS CONTACT NAME

S1 **Good morning / afternoon. My name is NAME and I'm calling from IFF Research. Please can I speak to NAME?**

Transferred	1	CONTINUE
Hard appointment	2	MAKE APPOINTMENT
Soft Appointment	3	
Refusal	4	CLOSE
Refusal – company policy	5	
Refusal – Taken part in recent survey	6	
Nobody at site able to answer questions	7	
Not available in deadline	8	
Engaged	9	
Fax Line	10	
No reply / Answer phone	11	
Residential Number	12	
Dead line	13	
Company closed	14	

**Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We're conducting a survey on behalf of The Department for Business, Innovation and Skills (BIS).**

**The government published the Transparency and Trust discussion paper in July 2013, which sets out a number of proposals to enhance the transparency of UK company ownership and control, and increase trust in UK business. Implementation of the proposals would mean changes for UK companies.**

As part of the process of seeking views on the proposals, we previously interviewed you to gather information on the costs and benefits to business of aspects of the proposed changes - relating to the establishment of a central registry of company beneficial ownership information, enhanced transparency around so-called nominee directors and the proposed abolition of corporate directors. This information helped us understand how proposals would affect your company and help ensure that policy solutions to improve transparency and accountability, and the nature of their implementation do not impose an undue burden on UK business.

We would now like to interview you again in order to gain a better understanding of the costs your company might undergo. After the last survey you confirmed you would be willing to be re-contacted in order to clarify the information you provided.

If you are eligible to take part, all participants would receive a payment of £25 as a thank you for your time.

Would you be willing to go through the survey now or at a time that is convenient to you?

All answers given in the survey will remain confidential. All data will be reported in aggregate form and your answers will not be reported in any way that would allow you to be identified.

This call may be recorded for quality and training purposes only.

#### REASSURANCES TO USE IF NECESSARY

The interview will take around 15 minutes to complete.

Please note that all data will be reported in aggregate form and your answers will not be reported to our client in any way that would allow you to be identified.

If respondent wishes to confirm validity of survey or get more information about aims and objectives, they can call:

- **MRS: Market Research Society on 0500396999**
- **IFF: Alice Large: 0207 250 3035**
- **BIS: Nick Herrick: 0207 215 6162**

ASK ALL

S2 **Can I firstly just check, is this company listed on the main market of the London Stock Exchange or AIM? This would include companies on the following indices: FTSE 100, FTSE 250, FTSE SmallCap, FTSE Fledgling and AIM.**

Yes	1	THANK AND CLOSE
No	2	CONTINUE

IF THANK AND CLOSE AT S2:

Unfortunately we are only looking to speak to companies today who are not listed, so we will not be able to continue with the interview. Thank you very much for your time today.

## A Beneficial ownership

### **READ TO ALL COMPANIES BEING ASKED A QUESTION IN THIS SECTION**

When we last spoke to you we discussed proposals outlined by BIS to ensure that it is known who really owns and controls UK companies. This includes requiring UK companies to obtain information on their beneficial ownership and provide it to Companies House. By information, I mean the name and address of the beneficial owner and the details of their ownership or control of the company.

In the context of these reforms, a 'beneficial owner' is any individual who:

- Ultimately owns or controls more than 25% of a company's shares or voting rights (whether directly or indirectly); or
- Exercises controls over the management of the company in any other way.

### **Question 1 – relates to B3 ASK 6 COMPANIES ONLY**

1. We are interested in how much it would cost your company to familiarise itself with the proposed reforms.

During your last interview with us you estimated how many staff might be involved in the familiarisation process and how long it might take each of them. We would like to review your previous answer to understand it further.

### **READ TO RESPONDENTS THAT ARE HIGH OR UNDER £5**

**You previously said that it would take....**

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
----------------	--	--

Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

### ASK RESPONDENTS THAT ARE HIGH OR UNDER £5

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours for familiarisation with the proposed reforms?

For instance, for each staff level what actions would you have to take to incur this time? In terms of the steps you and they might take, consider finding the relevant guidance material, distributing it to relevant staff, reading and understanding the guidance and spreading the message around your company.

#### PROMPTS:

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- Did you envisage that this process would be more or less time consuming compared to understanding other Companies House requirements? Why?

Level of staff	WRITE IN
Senior managers e.g. director level	

<b>Middle managers</b>	
<b>Administrative staff</b>	

**Additional comments**

**WRITE IN**

### ASK RESPONDENTS THAT ARE ZERO

- b) Last time you said it would take no time for your company to familiarise itself with the proposals, so it would not cost your company anything.
- Is that really the case?
  - Does that mean, for example, that you would not read any guidance material before complying with the proposals?

**WRITE IN**

### ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS

- c) You also mentioned last time that there would be an additional cost for familiarisation with the policy of [INSERT £x ADDITIONAL COST]

#### PROMPTS:

- Were you considering seeking external advice to understand (though not, for this question, comply with) the policy? What? Why? How much do you expect it to cost your company?
- What did you have in mind would make up this cost? (for example legal, IT or accountancy costs)

- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have already discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs? What? Why? How much?

**WRITE IN**

**Question 2 – relates to C2 ASK 6 COMPANIES ONLY**

2. Thinking about the proposed reforms, when we spoke to you last time it was in the context of a system where companies were required to obtain information on their beneficial ownership and to provide it to a central registry. Under that system the beneficial owners would be required to respond to your company's queries, but not to proactively disclose to you that they are the beneficial owner of the company.

During your last interview with us you estimated how many staff might be involved in the process of identifying and collecting information about the beneficial owner for the first time, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to identify and collect information about the beneficial owner for the first time?

For instance, what actions would you have to take to incur this time.

**PROMPTS:**

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?



Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

**Additional comments**

WRITE IN

### ASK RESPONDENTS THAT ARE ZERO

b) Last time you said it would take no time for your company to collect information about your beneficial owners so it would cost nothing in terms of staff time.

- Is this really the case?
- Do you already have this information?

**WRITE IN**

### ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS

c) You also mentioned last time that there would be an additional costs for identifying and collecting information of [INSERT £x ADDITIONAL COST]

#### PROMPTS:

- Were you considering seeking external advice to comply with the policy? What? Why? How much do you expect it to cost your company?
- What did you have in mind would make up this cost? (for example legal, IT or accountancy costs)
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have already discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs? What? Why? How much?

**WRITE IN**

**Question 3– relates to C3 ASK 6 COMPANIES ONLY**

3. We are interested in the cost to your company if your company holds shares in another company and had to respond to a request about your beneficial ownership from that company.

During your last interview with us you estimated how many staff might be involved in the process of responding to a request about beneficial ownership from that company, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to respond to a request about beneficial ownership?

For instance, what actions would you have to take to incur this time.

**PROMPTS:**

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- Were you envisaging any infrastructure or system spend to enable you to comply with this element of the policy? What? Why? How much might it cost?

Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

Additional comments

WRITE IN

**ASK RESPONDENTS THAT ARE ZERO**

**b) Last time you said it would take no time for your company to respond to a request about your company's beneficial owners, so it would cost nothing at all in terms of staff time.**

- **Is this really the case?**
- **Would your subsidiaries already have this information about your company?**

**WRITE IN**

**ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

**c) You also mentioned last time that there would be an additional cost for responding to a request about beneficial ownership of [INSERT £x ADDITIONAL COST]**

**PROMPTS:**

- Were you considering seeking external advice to comply with) the policy? What? Why? How much do you expect it to cost your company?
- What did you have in mind would make up this cost? (for example legal, IT or accountancy costs)

- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have already discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

**WRITE IN**

--

**Question 4 – relates to C4 ASK 6 COMPANIES ONLY**

4. We are interested in the cost to your company to collate, process and store data on beneficial ownership, once your company has identified the beneficial owner or owners, and collected the relevant information on them.

During your last interview with us you estimated how many staff might be involved in the process of collating, processing and storing of data on beneficial ownership, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to collate, process and store information on beneficial ownership?

For instance, what actions would you have to take to incur this time.

**PROMPTS:**

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- Were you envisaging any infrastructure or system spend to enable you to comply with this element of the policy? What? Why? How much might it cost?



Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

Additional comments

**WRITE IN**

**ASK RESPONDENTS THAT ARE ZERO**

**b) Last time you said it would take no time for your company to collate, process and store information on beneficial ownership, so it would cost nothing at all in terms of staff time.**

- **Is this really the case?**
- **Do you already hold all of this information?**

**WRITE IN**

**ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

**c) You also mentioned last time that there would be an additional cost of collating, processing and storing data on beneficial ownership associated with the policy of [INSERT £x ADDITIONAL COST]**

**PROMPTS:**

- Were you considering seeking external advice to comply with) the policy? What? Why? How much do you expect it to cost your company?

- What did you have in mind would make up this cost? (for example legal, IT or accountancy costs)
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

WRITE IN

**Question 5 – relates to C7 ASK 6 COMPANIES ONLY**

5. We are interested in the cost to your company if your company had to update its beneficial ownership information for its own records on an annual basis, once beneficial owners have initially been identified, and provide details of any changes to Companies House on an annual basis.

During your last interview with us you estimated how many staff might be involved in the process of updating this beneficial ownership information and providing details of changes to Companies House on an annual basis, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to update beneficial ownership information and provide details of changes to Companies House on an annual basis?

For instance, what actions would you have to take to incur this time.

**PROMPTS:**

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?

- Did you envisage that this process would be more or less time consuming compared to other returns required to be made to Companies House? Why?
- Were you envisaging any infrastructure or system spend to enable you to comply with this element of the policy? What? Why? How much might it cost?

<b>Level of staff</b>	<b>WRITE IN</b>
<b>Senior managers e.g. director level</b>	
<b>Middle managers</b>	
<b>Administrative staff</b>	

**Additional comments****WRITE IN****ASK RESPONDENTS THAT ARE ZERO**

b) Last time you said it would take no time for your company to update information about your beneficial owners and provide details of changes to Companies House on an annual basis, so it would cost nothing at all in terms of staff time.

- Is this really the case?
- Why?
- Does this assume there would be no changes in your beneficial ownership?

**WRITE IN****ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

c) You also mentioned last time that there would be an additional cost of updating beneficial ownership information and providing details of changes to Companies House on an annual basis of [INSERT £x ADDITIONAL COST]

**PROMPTS:**

- Did you have in mind anything that we have not already discussed? (for example legal, IT or accountancy costs)

- Were you considering seeking external advice to comply with the policy? What? Why? How much do you expect it to cost your company?
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

**WRITE IN**

<b>WRITE IN</b>

**Question 6 – relates to C8 ASK 6 COMPANIES ONLY**

6. We are interested in the cost to your company if you had to update beneficial ownership information held at Companies House, every time a change to your beneficial ownership occurred.

During your last interview with us you estimated how many staff might be involved in the process of updating beneficial ownership information held at Companies House every time a change to your beneficial ownership occurred., and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to update beneficial ownership information held at Companies House every time a change to your beneficial ownership occurred?

For instance, what actions would you have to take to incur this time.

**PROMPTS:**

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- Did you envisage that this process would be more or less time consuming compared to other returns required to be made to Companies House? Why?



- Were you envisaging any infrastructure or system spend to enable you to comply with this element of the policy? What? Why? How much might it cost?

Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

Additional comments

**WRITE IN**

**ASK RESPONDENTS THAT ARE ZERO**

- b) Last time you said it would take no time for your company to update beneficial ownership information held at Companies House every time a change to your beneficial ownership occurred?
- Is this really the case?
  - Does this assume that there would be no changes to your beneficial ownership?

**WRITE IN**

**ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

- c) You also mentioned last time that there would be an additional cost to update beneficial ownership information held at Companies House every time a change to your beneficial ownership occurred of [INSERT £x ADDITIONAL COST]

**PROMPTS:**

- Did you have in mind anything that we have not already discussed? (for example legal, IT or accountancy costs)
- Were you considering seeking external advice to comply with the policy? What? Why? How much do you expect it to cost your company?
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

**WRITE IN**

<b>WRITE IN</b>

**ASK ALL COMPANIES BEING ASKED ANY QUESTION ON BENEFICIAL OWNERSHIP**

7. Last time, we asked you what it might cost to collect details of your beneficial owners' name, address and interest in the company; and report it to Companies House on an annual basis, or as changes occurred - as part of regular communications with Companies House.

I would now like you to think about the proposed reforms. We are continuing to refine the policy and are considering a number of alternate options.

Thinking about a system in which:

- You only had to proactively obtain information on beneficial owners already known to you, or if one member of your company owned more than 25% of the shares or voting rights;
- In all other cases, the beneficial owner had to provide the relevant information to you, proactively.
- You had to maintain information on the beneficial owners' full name, date of birth, service address, residential address and details of their ownership or control of the company in a register held by your company.
- You had to provide details of any changes to Companies House in the context of the annual return process.

On this basis, would you consider that the time and cost to your company you originally envisaged would increase, decrease or stay the same, in terms of...

a)

- i) Familiarisation ([previous answers relate to B3](#))

If Government guidance for these proposed reforms was available and consisted of 13 pages of text.

In terms of the steps you might take, consider finding the guidance, distributing it to relevant staff, reading and understanding the guidance and spreading the message around your company.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**PROMPTS:**

- By what percentage would this go up for down from what you first envisaged

**WRITE IN**

- ii) **Compliance costs (calculated by sum of questions C2, (C3 \* C6), C4 and C7)**

Think of this particularly in light of the new proposals (e.g. gathering more information but only having to do this proactively for beneficial owners known to you or if one member of your company owned more than 25% of the shares or voting rights) compared to your previously held assumptions about the proposals

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**PROMPTS:**

- By what percentage would this go up for down from what you first envisaged

**WRITE IN**

**b) Can you explain in more detail what processes, staff involvement or other costs this new information would alter and why?**

**PROMPTS:**

- Think about what it would alter compared to your previously held assumptions of the reforms

**WRITE IN**

A large, empty rectangular box with a black border, intended for handwritten notes or responses. It occupies the majority of the page's vertical space below the header.

## B 'Front' Directors

### **ASK ALL COMPANIES THIS SECTION THAT HAVE BEEN ASKED ONLY 1 QUESTION IN THE BENEFICIAL OWNERSHIP SECTION**

I would now like to ask you a few questions about directors and your company.

You were not asked these questions during the previous survey; these relate to proposals government has developed since then, as a result of wider consultation.

To raise awareness of the duties that directors have now, and thereby discourage breaches of them, we are developing proposals for:

- -
- A step in the normal appointment or registration of a company director which requires confirmation that directors are aware of and understand their general statutory duties. A Government (Companies House) communications campaign to raise awareness of directors duties and liabilities (under the current system)  
Broader and improved communication of the duties and liabilities of directors ;  
- New and specific means of contacting individual directors to ensure they have understood they have duties in discharging their role;  
- Tightening the enforcement regime around those who act as a front and those who seek to control them.

- i) How familiar are you with the general statutory duties of directors at the moment? They were set out in the Companies Act 2006. (NB the responses are not being used for any wider purpose, so it is not a problem if you say are not aware of them, or if you think your clients are not aware of them).
1. Thinking about the steps you would take to ensure your company is familiar with proposed reforms to require a director to confirm their understanding of the director's general statutory duties at the timing of their appointment (though not the content of those duties), what do you estimate it would cost your company in terms of staff time?
- a) In terms of the steps you might take, consider that Government guidance consisting of four pages of text was available. Consider finding that guidance, distributing it to relevant staff, reading and understanding the guidance and spreading the message around your company.

PROMPTS:



- Are you aware of general principles behind the duties – like the need to act in the best interests of the company, or to show independent judgement and avoid conflicts of interest?
- Are you aware that directors have wider duties in the law, not just the general statutory duties – for instance in relation to health and safety?
- Can you remember how you came to know what you know about directors' duties?

**WRITE IN**

**Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:***

**Why would they undertake those procedures?**

**Why would that action be taken by staff at that level?**

**Why would it take them [x] amount of hours?**

**Do you envisage that this process would be more or less time consuming compared to understanding other Companies House requirements? Why?**

- ii) **How might your company go about familiarising a new director with the content of their general statutory duties? If you are a director yourself, how would you go about it?**

**PROMPTS**

- Would you use current government websites or not?
- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- Would you envisage any other spending in relation to increasing understanding of the content of directors' duties - What? Why? How much might it cost?

**Level of staff**

**WRITE IN**

<p><b>Senior managers e.g. director level</b></p>	
<p><b>Middle managers</b></p>	
<p><b>Administrative staff</b></p>	

**Additional comments**

<p><b>WRITE IN</b></p>

--

- iii) **If there was a new website from the government setting out more information would you use that or not?**  
b) **Would there be additional costs of familiarisation with the policy?**

**PROMPTS:**

- Would this change your answer above, where you described above with respect to how you would familiarise yourself with directors' duties?
- What would encourage you to engage with new information on a website – better signposting?

Level of staff	WRITE IN
<b>Senior managers e.g. director level</b>	
<b>Middle managers</b>	

<b>Administrative staff</b>	
-----------------------------	--

**Additional comments**

<b>WRITE IN</b>

- What did you have in mind would make up this cost? (for example legal, IT or accountancy costs)
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

2. **How familiar are you with the general statutory duties of directors at the moment? They were set out in the Companies Act 2006. (NB this survey is anonymised so it is not a problem if you are not aware of them)**

<b>WRITE IN</b>

3. [If answered 'unfamiliar' to Q2] If you were to familiarise yourself with the general statutory duties of directors, how might you go about it, how long would it take and what might it cost? What about the costs of familiarising a new director?

(Further information if necessary : the general statutory duties include avoiding conflicts of interest, to exercise reasonable care and similar measures. There are wider duties that apply.)

**WRITE IN**

4. In the current system, with no requirement for directors to confirm they're aware of the duties, how likely would you be to read any communications from Companies House which explain the duties?

**WRITE IN**

- iv) If Companies House were to write to you – perhaps send you a leaflet - informing you of your duties, would you read it or not?  
(Are you more likely or less likely to read communications from Companies House to you relative to looking at the website?)

Under the proposed reforms, if confirmation of understanding of directors' duties were required, how likely would you be to read any communications from Companies House which explain them?

WRITE IN

- v) I now want you to think about being a new director, at the time of your appointment into the role. If you were to receive a personal communication from Companies House on your appointment -
1. setting out information about directors' duties and liabilities
  2. advising you how to resign if you are not minded to continue in the role of director given the legal responsibilities
  3. setting out that it will be considered that you have, as a director, been informed of and have acknowledged your legal duties (with a reminder that duties will apply in all circumstances and ignorance of the law remains no excuse).
- Would you be more or less likely to consider this, than a general leaflet or information on a website?

- vi) We are interested in how much it would cost your company to read a letter of 2-3 pages from Companies House?

How much would your estimate change if that were 4-6 pages?

- vii) We are interested in how much it would cost your company to act on the basis of the letter. So a director might choose to become better acquainted with their general statutory duties and related liabilities. A company might choose to ensure its directors are better informed about their duties? What would be the impact of this?

#### PROMPTS

- Who might be involved?
- How would they undertake the procedures involved and why?
- Why would that action be taken by staff at that level?
- How long would it take individual members of staff? Why would it take them that amount of time?

- Would you seek external advice? If so, how much might it cost?
- Do you envisage that this process would be more or less time consuming compared to understanding other Companies House requirements? Why?

viii) **How would you describe any benefits you might see for your company, or companies you trade with, if there were increased awareness of a director's general statutory duties?**

#### PROMPTS

- Would you be more likely to avoid issues within your company?
- Would you be more likely to trust other companies?
- Do the duties feel relevant to conduct in your company?

**WRITE IN**

ix) **If a director were removed to ensure the company were compliant with moves to reduce the use of corporate and front directors, how much would the removal cost?**

#### PROMPTS

- Who might be involved?
- How would they undertake the procedures involved and why?
- Why would that action be taken by staff at that level?
- How long would it take individual members of staff? Why would it take them that amount of time?
- Would you seek external advice? If so, how much might it cost?
- Do you envisage that this process would be more or less time consuming compared to understanding other Companies House requirements? Why?

**WRITE IN**

- x) **To recruit a new director and get them up and running, whatever the reason for their recruitment, how much would that cost? What factors would affect this, and how much impact might they have on the cost?**

<b>WRITE IN</b>

- xi) **Taking a slightly different approach now, are you aware now of the current definition of a shadow director?**

**[extra information if needed – a shadow director is someone who is not a director but exerts influence over a company via its board of directors – so it is technically defined as ‘a person in accordance with whose directions or instructions the directors of the company are accustomed to act’]**

<b>WRITE IN</b>



xii) Have you ever been in a situation where you thought you might be a shadow director?

If yes - What action did you take? What action might you take if you were seeking to engage the board of a company but did not want to become a shadow director eg changing the way you communicated with directors?

WRITE IN

## C Corporate Directors

READ OUT TO ALL GOING THROUGH CORPORATE DIRECTOR SECTION

The proposals potentially include the abolition of corporate directors (i.e. companies acting as directors of another company).

You might well not have a corporate director – ie another company – acting as one of your directors, but if you were to consider hypothetically that you did have one.....

### ASK 12 COMPANIES ONLY

1. We are interested in the cost to your company of familiarisation with the idea that corporate directors would be prohibited.

During your last interview with us you estimated how many staff might be involved in the familiarisation with this idea, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

#### ASK RESPONDENTS THAT ARE HIGH OR UNDER £5

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to be involved in the familiarisation with the idea that corporate directions would be prohibited?

For instance, what actions would you have to take to incur this time.

In terms of the steps you might take, consider finding the Government guidance, distributing it to relevant staff, reading and understanding the guidance and spreading the message around your company.

#### PROMPTS:

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- Did you envisage that this process would be more or less time consuming compared to understanding other Companies House requirements? Why?

Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

**Additional comments****WRITE IN**

**ASK RESPONDENTS THAT ARE ZERO**

- b) Last time you said it would take no time for your company to familiarise itself with the proposals, so it would cost nothing at all in terms of staff time.
  - Is this really the case?
  - Does that mean, for example, that you would not read any guidance material before complying with the proposals?

WRITE IN

**ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

- c) You also mentioned last time that there would be an additional cost of familiarisation with idea that corporate directions would be prohibited [INSERT £x ADDITIONAL COST]

**PROMPTS:**

- Did you have in mind anything that we have not already discussed? (for example legal, IT or accountancy costs)
- Were you considering seeking external advice to comply with the policy? What? Why? How much do you expect it to cost your company?
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

**WRITE IN**

**Question 1 Part 2 (previously 4a):**

I would now like you to think about the proposed reforms and the cost impact if your company hypothetically had a corporate director, if:

- i) the Companies House guidance consisted of four pages of text

On this basis, would you consider that the time and costs to your company you originally envisaged would increase, decrease or stay the same for....?

- a) Familiarisation

In terms of the steps you might take, consider finding the four pages of guidance, distributing it to relevant staff, reading and understanding the guidance and spreading the message around your company.

**PROMPTS:**

- By what percentage would the costs go up or down from what you first envisaged

**WRITE IN**

- b) Can you explain in more detail what processes or, staff involvement or other costs this new information would alter and why?

**WRITE IN**

**ASK 12 COMPANIES ONLY**

2. We are interested in the cost to your company of potentially removing and then changing a corporate director **on your board** to a 'natural person' (i.e. an individual acting as a director) if you had one.

During your last interview with us you estimated how many staff might be involved in the removal and replacement of a corporate director, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- a) Can you explain in more detail why you would expect it to take this many staff and number of hours to be involved in the removing and replacing of a corporate director?

For instance, what actions would you have to take to incur this time in terms of the steps you might take.

**PROMPTS:**

- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?
- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?

Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

Additional comments



**WRITE IN**

**ASK RESPONDENTS THAT ARE ZERO**

- b) Last time you said it would take no time for your company to remove and change a corporate director, so it would cost nothing at all in terms of staff time.
- Is this really the case if you hypothetically had a corporate director, bearing in mind that you would still have to process the removal with Companies House?
  - Were you working on the basis of not replacing the corporate director?

**WRITE IN**

**ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

- c) You also mentioned last time that there would be an additional cost of removing and replacing of a corporate director of [INSERT £x ADDITIONAL COST]

**PROMPTS:**

- Did you have in mind anything that we have not already discussed? (for example legal, IT or accountancy costs)

- Were you considering seeking external advice to comply with the policy? What? Why? How much do you expect it to cost your company?
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

**WRITE IN**

<b>WRITE IN</b>

**Question 2 Part 2 (previously 4 ii):**

I would now like you to think about the proposed reforms and the cost impact if your company hypothetically had a corporate director., if: (You would only be legally obliged to remove the corporate director and it would be your company's choice whether or not to replace them).

ii) to remove a corporate director you would have to fill out Companies House form TM01 (2 pages long) and to appoint a new director you would have to fill out form AP01 (4 pages long) after identifying a replacement director. (You would only be legally obliged to remove the corporate director and it would be your company's choice whether or not to replace them.

On this basis, would you consider that the time and costs to your company you originally envisaged would increase, decrease or stay the same for....?

a) Compliance costs; if you had a corporate director and needed to remove them and fill out TM01 (consisting of 2 pages) and chose to replace them with a 'natural persons' and had to complete form AP01 (consisting of 4 pages)?

**PROMPTS:**

- By what percentage would the costs go up or down from what you first envisaged

WRITE IN

b) Can you explain in more detail what processes or, staff involvement or other costs this new information would alter and why?

WRITE IN

**c) What affect would it have on your compliance costs if you had to remove a corporate director and fill out form TM01 (consisting of 2 pages), but chose not to replace them with a natural person ?**

**PROMPTS:**

- By what percentage would the costs go up or down from what you first envisaged

**WRITE IN**

**ASK 12 COMPANIES ONLY**

3. We are also interested in the cost to your company if your company was acting as a corporate director on another company's board, and corporate directors were prohibited – for example this might be in a group structure, or with a subsidiary. This would mean you needed to either remove or change your directorship to a 'natural person' (i.e. an individual acting as a director, perhaps a specific person within your company).

During your last interview with us you estimated how many staff might be involved in the removal or changing of your directorship if your company was acting as a corporate director on another company's board, and how long it might take each of them. We would like to review your previous answer to understand it further.

You previously said that it would take....

Level of staff	Number of staff that would be involved in task	Total number of hours that would need to be spent per person at each level of staff to complete this task?
Senior managers e.g. director level	[INSERT ANSWER]	[INSERT ANSWER]
Middle managers	[INSERT ANSWER]	[INSERT ANSWER]
Administrative staff	[INSERT ANSWER]	[INSERT ANSWER]

**ASK RESPONDENTS THAT ARE HIGH OR UNDER £5**

- c) Can you explain in more detail why you would expect it to take this many staff and number of hours to be involved in the removal or changing your directorship on another company's board?

For instance, what actions would you have to take to incur this time in terms of the steps you might take.

**PROMPTS:**

- Were you working on the basis you would replace the corporate director with a natural person?
- Can you list the procedures [senior managers/middle managers/admin staff (interviewer to tailor based on previous answers)] would have to undertake? *For each staff level:*
- Why would they undertake those procedures?

- Why would that action be taken by staff at that level?
- Why would it take them [x] amount of hours?
- What would you envisage happening if you did not need to change the directorship, but instead provide Companies House of notification of your eligibility for a corporate director?

Level of staff	WRITE IN
Senior managers e.g. director level	
Middle managers	
Administrative staff	

--	--

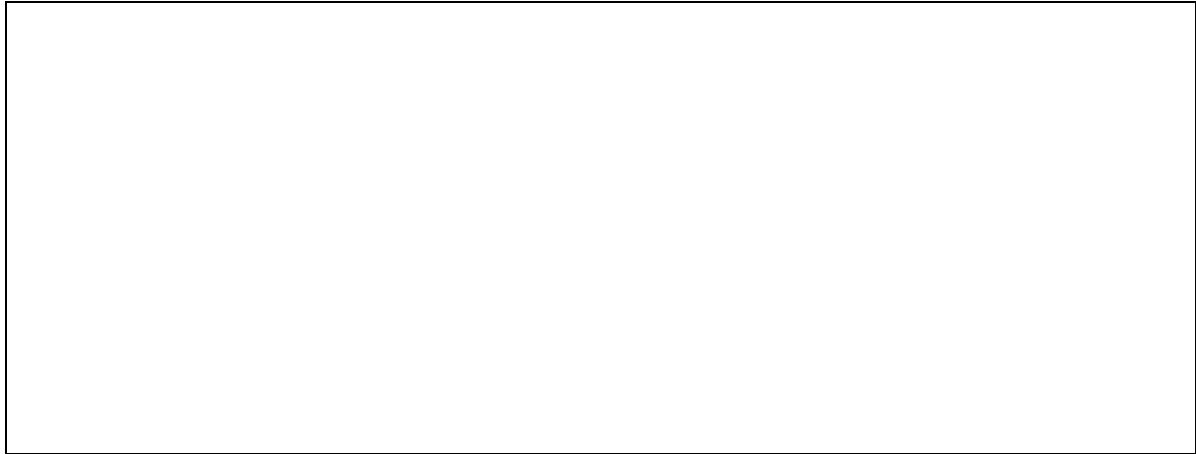
**Additional comments**

<b>WRITE IN</b>

**ASK RESPONDENTS THAT ARE ZERO**

- b) Last time you said it would take no time for your company to remove and replace a corporate director sitting on another company's board, so it would cost nothing at all in terms of staff time.**
- Is this really the case if you hypothetically had a corporate director on another company's board?**
- Does this assume the other company – whose board you sit on - would pick up any costs?**

<b>WRITE IN</b>
-----------------

**ASK RESPONDENTS THAT GAVE HIGH (OR POSITIVE) ADDITIONAL COSTS**

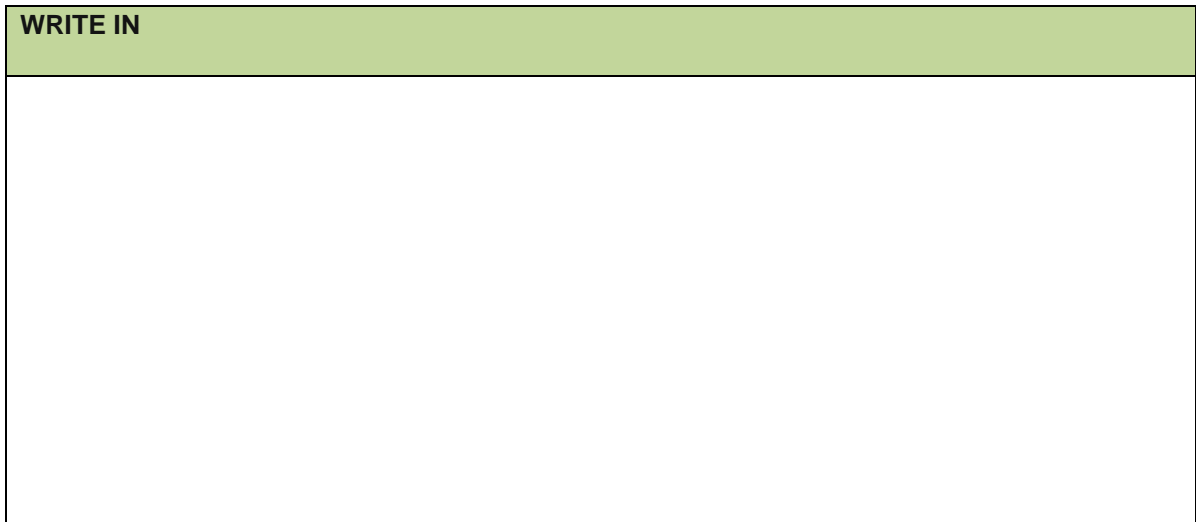
c) You also mentioned last time that there would be an additional cost of removing and updating your directorship of [INSERT £x ADDITIONAL COST]

**PROMPTS:**

- Did you have in mind anything that we have not already discussed? (for example legal, IT or accountancy costs)
- Were you considering seeking external advice to comply with the policy? What? Why? How much do you expect it to cost your company?
- Who would be involved, how long might it take and what do you anticipate it would cost?
- Why would you carry out those actions?

**PROMPT FOR RESPONDENTS THAT HAVE ZERO ADDITIONAL COST:**

- Would there really be no additional cost? Other than what we have discussed, can you think of anything now that may lead to some additional cost, for example legal, IT or accountancy costs?

**WRITE IN**



**Question 3 Part 2 (previously 4 iii):**

I would now like you to think about the proposed reforms and the cost impact if your company hypothetically was a corporate director on another companies board, if:

- the company with the corporate director on their board had to process the change with Companies House - but the company acting as a corporate director would not be required to **notify Companies House of any change** so
- the corporate director might undergo the cost of selecting a new 'natural person' to replace the original corporate directorship

On this basis, would you consider that the time and costs to your company you originally envisaged would increase, decrease or stay the same for....?

- a) Compliance costs; if your company was removed as a corporate director from another companies board and they choose to replace their directorship with a 'natural persons'

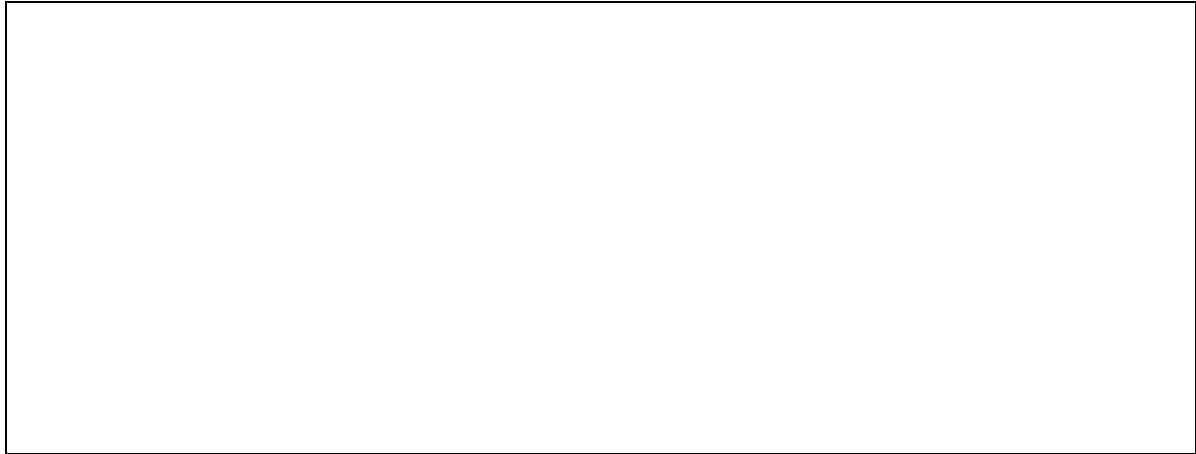
**PROMPTS:**

- By what percentage would the costs go up or down from what you first envisaged

**WRITE IN**

- b) Can you explain in more detail what processes or, staff involvement or other costs this new information would alter and why?

**WRITE IN**



**c) Can you explain how the costs would change if you chose not to replace the corporate directorship with a natural person (for instance an individual in the company)?**

## D Thank and Close

- D1 **Thank you very much for taking the time to speak to us today. Would you be willing for us to call you back regarding this particular study if we need to clarify any of the information?**

Yes	1	
No	2	

- D2 **And could I just take down the best address to send the thank you of £25 to?**

WRITE IN ADDRESS:

DO NOT READ OUT: REFUSED: Give £25 to charity

ASK ALL

THANK RESPONDENT AND CLOSE INTERVIEW

Finally I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.

© Crown copyright 2014

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit [www.nationalarchives.gov.uk/doc/open-government-licence](http://www.nationalarchives.gov.uk/doc/open-government-licence), write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This publication available from [www.gov.uk/bis](http://www.gov.uk/bis)

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET  
Tel: 020 7215 5000

If you require this publication in an alternative format, email [enquiries@bis.gsi.gov.uk](mailto:enquiries@bis.gsi.gov.uk), or call 020 7215 5000.

BIS/14/1280