

Register of people with significant company control: company register available publicly (fees)

Department for Business, Innovation and Skills

**RPC rating: fit for purpose provided changes are made to
the impact assessment**

The impact assessment (IA) will be fit for purpose provided the Department includes in it, before publication, the additional information that it provided in response to the RPC's initial review. As submitted, the IA was not fit for purpose.

Description of the proposals

The Small Business, Enterprise and Employment Act 2015 contains measures that require companies to maintain a register of people with significant control of their company (PSC register). Information in the register should be made available publicly. The overarching policy objective, described in the 'Transparency and Trust – Enhanced Transparency of Company Beneficial Ownership' impact assessment, is to enhance corporate transparency, fulfilling the UK's commitment to implement a G8 agreement. Companies that do not elect to hold their register centrally at Companies House (starting from April 2016) will be required to make it available for inspection, and to provide a copy of all or some of the entries, on request from January 2016.

The IA discusses options for companies to recover reasonable costs of providing access to information in their PSC registers. Under the preferred option, the proposals would enable companies to charge a prescribed fixed fee that will apply to all requests for access, regardless of whether some or all of the company register is included in the request. A second option would enable companies to charge prescribed fees proportionate to the number of entries in a company's PSC register that are requested.

A non-regulatory option would use a published recommended level of fees in place of prescribed fees. The Department, however, believes that this option would lead to a lack clarity for both companies and those requesting access to the register and would have the potential for companies to charge fees at a disproportionate level. The Department contends that this option could undermine the policy objective of making information freely and easily accessible.

Impacts of the proposals

The Department anticipates that, under each of the three options, nearly 150,000 companies would familiarise themselves with the proposals, estimating these one-off costs at approximately £3.2 million. The Department anticipates that, based on the number of applications for protection under the separate company directors' protection regime, these companies would receive one request each per annum involving access to the register. The Department estimates these ongoing costs at approximately £16.6 million each year.

The Department estimates the benefits to business resulting from charging fees to be £9.7 million per annum for the preferred fixed fee option. This option would generate less income from fees than the non-regulatory option. However, the Department believes that the non-regulatory option could see companies "overcharging" for providing the relevant information, discouraging requests and reducing the non-monetised benefits of the overall policy objective of enhanced corporate transparency. The Department should use the consultation to gather further evidence to support this view.

Quality of submission

The Department contacted a random selection of 500 companies likely to be affected by the proposals, including trust and company service providers. There was a relatively low response rate so the findings are not considered to be fully representative. However, the Department has used the responses, combined with other evidence, to make some tentative early estimates of the possible impact of the proposals. The Department will, for the final stage IA, need to gather more information on how stakeholders are likely to be affected. The IA should also include an assessment of the degree to which these proposals will reduce the overall benefits of the proposals of the transparency and trust measures.

At the request of the RPC, the Department provided further information to support its assumption that companies would need to familiarise themselves with the guidance relating to the proposals only if they receive a request for a copy of the company register, or to inspect it. This explanation appears reasonable and should be included in the consultation stage IA.

Similarly, the Department provided evidence to support its contention that there would be very few cases where companies would apply to a court to refuse a request for information. Again, the Department's explanation appears reasonable and should be included in the consultation stage IA.

Although the preferred option has a negative NPV, the Department explains that there are significant non-monetised benefits from increased transparency. These benefits would be reduced if potential investors are deterred from making requests for information as a result of companies charging large fees for providing the relevant information.

Scope

The IA states that the proposals implement commitments the UK made in a G8 international agreement and are, therefore, out of scope of One-in, Two-out (OITO). The Department submitted further information to support this classification. The IA should include this.

On the basis of the additional information provided, the RPC is able to confirm that the proposals are out of scope of OITO in accordance with paragraph 1.9.9. iii of the Better Regulation Framework Manual (March 2015). However, to support balanced reporting of overall EU international burdens, the final stage IA should include an estimated EANCB figure, with stronger supporting evidence, for RPC validation.

Impact on small and micro-businesses

Although a small and micro-business assessment is not required, the Department has assessed the impact on small companies. The Department has been unable to determine the relative costs of the proposals for small companies but they are not expected to be disproportionately affected by them. At the request of the RPC, the Department provided further information to explain why small and micro-businesses should not be exempt from the proposals and how burdens on them could be mitigated. This explanation appears reasonable and should be included in the consultation stage IA.

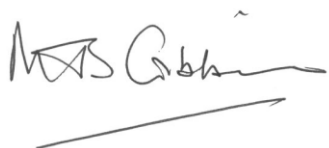
The Department could use the consultation to gain more information on the likely impact the options would have on small and micro-businesses. This could enable the final stage IA to include proportionate analysis to demonstrate why exemption of small and micro-businesses, or mitigation of burdens on them, would not be compatible with the policy objectives.

Initial departmental assessment

Classification	Out of scope (international)
EANCB	£5.34 million
Business net present value	-£62.28 million
Net present value	-£62.28 million

RPC assessment

Classification	Out of scope (international)
Small and micro-business assessment	Not required (international)



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