

Register of people with significant company control: protection regime

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 (PSC) of their company. 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.

The IA discusses options for a protection regime that would limit disclosure of information in certain circumstances. Under the preferred option, the proposals would enable applications to be made to protect from public disclosure, personal information about PSCs who are at serious risk from physical harm. The risk could be as a result of a company's activities or other factors specific to the individual. The proposals include withholding usual residential addresses from credit reference agencies.

Applications may be made to the registrar of companies by: individuals or their legal representatives; the company; or a subscriber to a memorandum of association. The registrar would assess applications, with input from a relevant authority such as the police. If approved, the individual's information would not be placed in the public domain. All protected information would, however, be available to law enforcement and specified public authorities on request.

The IA also presents a non-regulatory option, whereby guidance on the PSC register would set out the procedure for companies to protect the information of those they judge to be at risk from physical harm. Companies would need to mark this information as protected when filing at Companies House. Neither the company nor Companies House would make the information available publicly.

Impacts of the proposals

The Department anticipates that over 76,000 companies in sensitive sectors (e.g. the life science sector) would have to familiarise themselves with the protection regime. This one-off cost is estimated at £21.2 million.

The Department estimates that the number of applications for protection submitted by private businesses, on behalf of individuals with significant control of their company who are at risk of harm, would be around 7,000 in the first year, and almost 500 each year thereafter. The Department estimates that the cost of applications (fees, time and gathering of evidence to prove that an individual is at risk) and administration would total £3.8 million in the first year and £273,000 in each subsequent year.

The non-regulatory option would not require applications to be made to the registrar so would result in businesses incurring only familiarisation costs. The Department explains that these familiarisation costs would be of the same order of magnitude as the preferred option. However, the Department believes that this option would be less effective as it would not allow individuals themselves to apply and the absence of a verification process could result in inconsistencies in the way that companies would apply protection, which could compromise the integrity of the protection regime. Although the costs to business would be lower, the Department believes that fewer individuals would be protected from harm.

Quality of submission

The Department surveyed a number of companies likely to be affected by the proposals. It directly approached roughly 300 companies but it received only a limited number of responses and estimates of costs were extremely varied, so the findings are not considered to be fully representative. However, in the absence of other evidence, the Department used the responses to make some tentative early estimates of the possible impact of the proposals.

At the request of the RPC, the Department provided further information to explain that any reduction in the benefits of transparency as a result of the proposals would be balanced by the increased safety of vulnerable individuals and by maintaining the confidence of investors who might otherwise not invest in the UK. This should be included in the consultation stage IA. 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 transparency and trust measures.

At the request of the RPC, the Department provided further information to explain why information relating to usual residential addresses should be withheld from credit reference agencies. The Department's explanation appears reasonable and should be included in the consultation stage IA.

The preferred option is more costly, with greater burdens on business, than the non-regulatory option. The IA states that the non-regulatory option would not benefit as many individuals as the preferred option. The Department should use the consultation to gather further evidence to support this view.

Although the preferred option has a negative NPV, the Department explains that there are large non-monetised benefits from preventing attacks on people at risk of harm and from individuals continuing to invest in companies in sensitive sectors.

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).

A previous IA (Transparency and Trust: Enhanced Transparency of Beneficial Ownership) indicated that there would be some costs associated with applications to Companies House for information to be suppressed on the public register or not provided to credit reference agencies, but there was no evidence of the possible number of companies that might make applications. That IA stated that this element of the policy would be set out in secondary legislation for which this further IA would be provided. In addition, the Department submitted further information to support this classification. The IA should include this information, making a clearer link to the previous, related, IA.

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 and does not expect them to be disproportionately affected. The IA states that, in order to reduce the risk of harm to individuals, small and micro-businesses should not be exempt from the proposals.

Opinion: consultation stage IA
 Origin: international
 Date of implementation: 1 January 2016 (SNR11)
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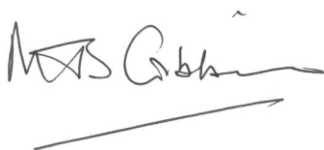
The Department could use the consultation to gain more information on the likely impact the options would have on small and micro-businesses. This could enable the final stage IA to include proportionate analysis to demonstrate why exemption of small and micro-businesses, or mitigation of burdens on them, would not be compatible with the policy objectives.

Initial departmental assessment

Classification	Out of scope (international)
EANCB	£2.3 million
Business net present value	-£26.9 million
Net present value	-£26.0 million

RPC assessment

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



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