

Procedure for resolving disputes about the registered offices that companies' state on the public register of companies.

Department for Business Innovation and Skills

RPC rating: validated

Description of proposal

Companies House regularly receives complaints that companies use, as their registered office, the address of another business or a private individual with whom they have no connection; or an address that they are not authorised to use. In some cases, this can be the result of an innocent mistake by the company, but in other instances it is intended to be misleading or even fraudulent.

Under existing regulations, the removal or change of a registered office address can only be instigated by the company itself.

The proposal would allow a third party to submit an objection to the Registrar of Companies, where an unauthorised address is used as a company's registered office. On receipt of such an objection, the Registrar will write to the company requesting evidence that the company is authorised to use the address as a registered company office. If the company does not provide such evidence, the Registrar will change the registered office address to an alternative PO Box at Companies House. If the company fails to respond or communicate with the Registrar, then this may lead to the company being removed from the register.

Impacts of proposal

All UK limited companies and Limited Liability Partnerships (LLPs) are required to have a registered office. However, the proposed regulations will only affect the companies where a third party objects to the use of an address as a registered office.

This is a regulatory proposal. Under the new procedure any business or individual will be able to file a formal complaint about a company's use of an address as a registered office. The Registrar will then investigate and take action if there is insufficient evidence that the company is authorised to use that address. The new dispute procedures will also be available to businesses that have provided registered office services, where the company has not changed its address on the public register.

Based on Companies House data, the Department estimates that there will be 1,700 disputes each year with an estimated annual net cost to businesses (EANCB) of £178,000. This comprises:

1) £14,500 total annual familiarisation costs for businesses subject to disputes (based on directors of companies taking 20 minutes to familiarise themselves with the new procedure); and

2) £163,500 total annual costs that affected businesses incur providing evidence to the Registrar of Companies in the event of a dispute. This assumes it takes a company director (who is paid the UK company director median wage - *ASHE 2013*) 3.75 hours to perform this task.

The IA explains that there will be costs to third parties (individuals or businesses making the complaint) in raising a registered office address dispute with the Registrar. Although the Department has been unable to gather evidence robustly to quantify these costs (e.g. time costs), it explains the costs are voluntarily incurred and expected only in cases where the perceived costs of raising a complaint outweigh the costs of doing so. This appears reasonable.

On this basis, the RPC is able to validate the EANCB.

Where a registered office dispute leads the Registrar to conclude a particular company is not in business, and therefore to strike that company off the register, the accuracy of the register as an information source about UK companies will be improved. The Department explains that this should be of benefit to users of the register (e.g. members of the public, businesses etc.) when making economic decisions (e.g. about investing, lending or trading with UK companies). However, the Department explains that they have been unable to gather the necessary evidence to quantify robustly and monetise the identified benefits on proportionality grounds, given the time and cost this would involve.

Quality of submission

The Department has clearly set out the rationale for the proposals, quantified the main impacts to business and carried out sensitivity analysis to provide a range of estimates. Where assumptions have been used, for example in calculating the expected number of disputes expected as a result of the proposal, the Department sets out how these have been developed and why the Department believes they should be considered sufficiently robust.

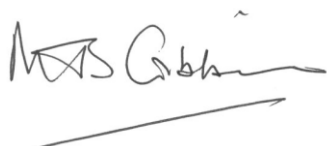
The IA explains that Companies House will incur some administrative costs processing and recording complaints to do with registered office disputes as a result of new procedure. However, the Department correctly identifies these costs to be out of scope of the framework as they are incurred by a public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

Initial departmental assessment

Classification	IN
Equivalent annual net cost to business (EANCB)	£0.18 million
Business net present value	-£1.53 million
Societal net present value	-£1.53 million

RPC assessment

Classification	IN
EANCB – RPC validated	£0.18 million
Small and micro business assessment	Not required (fast track low-cost regulation)



Michael Gibbons CBE, Chairman