



Department for  
Business, Energy  
& Industrial Strategy

# Review of the implementation of the PSC Register

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**OGL**

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# Contents

Executive summary	4
Background and objectives	4
Research findings	4
Introduction	8
Background and objectives	8
Methodology	9
Businesses' engagement with the PSC register	12
Businesses' behaviour prior to the PSC register	12
The numbers of PSCs businesses have	13
The first submission of PSC information	14
Checking PSC information	15
Change in businesses' PSCs	16
Updating PSC information	17
The effects of the PSC register on businesses	20
Measuring the cost of compliance	20
Initial financial costs	21
Ongoing financial costs	24
Total overall cost of compliance with PSC regulations	28
Effects on the way businesses operate	29
Use of the PSC register	30
Business' use of the PSC register	30
Stakeholders' use of the PSC register	32
The Protection Regime	41
The categories of protection	41
The criteria for protection	41
The application process	42
Applications to date	43
Sharing information protected under the Protection Regime	43
Areas for Improvement	44
Conclusions	45

# Executive summary

## Background and objectives

*This report explores the costs, benefits, and overall effectiveness of the People with Significant Control (PSC) register in promoting transparency.*

The PSC register is a register of beneficial owners of UK companies. It was launched in 2016 following the introduction through the Small Business, Enterprise and Employment Act 2015 which amended the Companies Act 2006. The information on the register is publicly accessible, free of charge. The objective of the register is to enhance corporate transparency and, thereby, to facilitate economic growth and help tackle misuse of companies.

In 2019, the Department for Business, Energy, and Industrial Strategy (BEIS) is carrying out a post-implementation review of the PSC register regulations. To inform this review, IFF Research conducted research into the costs, benefits, and overall effectiveness of the PSC register in promoting transparency.

A mixed-method approach was taken for this research. This consisted of a quantitative survey with 500 businesses, and in-depth qualitative interviews with 30 stakeholder organisations and 2 members of staff from Companies House.

## Research findings

### Businesses' engagement with the PSC register

Overall, businesses were engaged with the PSC register regulations. Most had submitted information to the register around the time the register was introduced and the majority of businesses that had experienced a change in their PSCs had reported this to Companies House at the time of the interview.

Two thirds of businesses (66%) kept records of their beneficial owners before the PSC register was introduced. This was typically done to comply with existing laws and regulations (22%) or to improve internal corporate transparency (19%).

Nearly all businesses surveyed (92%) had PSCs. The most common number of PSCs reported was one (43%), followed by two (37%). Only 13% of business had three or more.

Analysis was undertaken to compare the number of PSCs reported against the number listed on the PSC register. Of those who provided the number of PSCs, two thirds (67%) matched. Where the figure did not match, it was more likely for the number reported to be higher than the number shown on the PSC register. A quarter of businesses (25%) reported a figure that was higher while eight percent that reported a figure that was lower.

Most businesses (53%) submitted PSC information for the first time more than two years ago. Almost a quarter submitted information for the first time between one year and two years ago (24%). This would be expected as businesses were required to submit this information as part of their first confirmation statement before June 2017.

Around one in twenty submitted PSC information for the first time either in the last 6 months (4%) or between 6 and 12 months ago (4%). It is possible that these businesses were incorporated within the last 12 months.

For 10% of businesses, there have been changes to their PSCs since their initial submission of PSC information to Companies House. The majority (94%) had informed Companies House of the most recent change at the time of interview.

### The effects of the PSC register on businesses

The financial cost of compliance with the PSC register was relatively small. The mean overall cost was £287, and the median overall cost was £125<sup>1</sup>, though this did vary by business size and the complexity of ownership structure.<sup>2</sup> In terms of non-financial effects, most businesses did not think that the PSC register had impacted upon the way they operate.

The financial costs associated with the PSC register were calculated by measuring the number of staff and the amount of time spent on tasks related to the register, plus any additional financial spend. Tasks related to the PSC register can be broadly split into two types; those related to the initial submission of PSC information and those related to the maintenance of information held on the PSC register (i.e. checking and updating PSC information).

The overall financial cost of compliance with the PSC register was relatively small, however there was variation by business size and the complexity of ownership structure. The mean overall cost was £287, and the median overall cost was £125. The main source of financial cost was the initial submission of PSC information; the mean overall cost of this process was £259, while the median cost was £115.

The mean cost of tasks related to the maintenance of information held on the PSC register since the initial submission of information was only £29 and the median cost was just £2. The low financial cost of maintaining information held on the PSC register is the consequence of only 10% of businesses experiencing a change to their PSCs since their initial submission of information.

In addition to the financial cost of complying with the PSC register, businesses were asked to what extent the process of collecting information about their business's PSCs and submitting it to the PSC register has affected the way their business operates. The majority of businesses (95%) felt the process had not had an impact at all.

### Use of the PSC register

Twenty-two percent of businesses surveyed had used the PSC register to look up information about other businesses. Of the businesses that used the PSC register for this purpose, most considered it to be useful. Furthermore, the PSC register was widely used by stakeholder organisations.

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<sup>1</sup> In this scenario, the median is considered a more useful metric than the mean for the cost of compliance. This is because, due to a relatively small sample size, a small number of outliers (typically amongst the large and more complex businesses) has caused the mean averages to be skewed upwards.

<sup>2</sup> Simple businesses are defined as those that are the only corporate entity in their ownership chain. Reasonably complex businesses are defined as those that have one other corporate entity in their ownership chain. Complex businesses are defined as those that have two or more other corporate entities in their ownership chain or have any elements of their ownership chain based overseas.

Around one fifth of businesses (22%) used the PSC register to look up information about the PSCs of other businesses. Of those who had used the PSC register, the majority were looking up information about clients and customers (64%). Two thirds of businesses that had used the PSC register found the information available useful (64%), with around a third finding it very useful (29%).

The PSC register was widely used by stakeholder organisations. All Law Enforcement Organisations we spoke to had used the PSC register to inform criminal investigations. The extent to which the PSC register is used by these organisations varied, but most reported using it at least weekly.

Similarly, all Financial Institutions interviewed as part of this study had used the PSC register. This was mainly to identify the PSCs of prospective corporate clients during the onboarding process. All Civil Society Organisations we spoke to had also made use of the register for their work. Many of these organisations used it for research purposes, typically on a record-by-record basis.

Unlike other stakeholder organisations, Investment Associations and Business Organisations had little direct interaction with the PSC register. Some were aware that the register is used by some of their members to carry out due diligence checks on customers, but generally have not had any requirement to use it themselves.

### The effect of the PSC register on the work of stakeholders

Stakeholder organisations generally considered the PSC register to be a useful resource for their work. This was typically because the register has made the process of obtaining information about beneficial ownership more efficient. There were however some stakeholder organisations that did not think the register had affected their work. This is because, due to concerns about data quality, they did not feel as though they could rely on the PSC register as a source of information.

All Civil Society Organisations, most Law Enforcement Organisations and some Financial Institutions felt that the introduction of the PSC register has had a positive effect on their work. This is primarily because the PSC register was felt to have made the process of obtaining information about beneficial ownership quicker and easier, and in some cases cheaper.

However, some Law Enforcement Organisations and Financial Institutions did not think that the introduction of the PSC register had had a positive effect on their work. This is because, due to concerns about the quality of information held of the PSC register, these organisations did not consider it a reliable source of information about beneficial ownership.

To improve the quality of the information held on the PSC register, many stakeholders suggested that Companies House introduce both validation (e.g. checks at the point information is submitted) and verification processes (e.g. checks to verify the information submitted). Stakeholders felt that the combination of these two processes would significantly improve the quality of the information held on the PSC register and so make the register more useful.

Another key way in which stakeholders thought the PSC register could be improved was through the introduction of a unique ID for individuals listed on the register. Stakeholders told us that this would be a valuable addition to the register as it would enable them to quickly identify all the businesses that an individual is listed as a PSC for. There is currently no way of doing this.

## The Protection Regime

Between April 2016 and January 2019, Companies House received 903 applications for information about PSCs to be suppressed from the PSC register. Around half have been approved. Companies House staff felt that The Protection Regime was operating as intended, but there were some suggestions for improvement.

In exceptional circumstances, there is a system for suppressing information relating to PSCs from the PSC register. This is known as the Protection Regime. Exceptional circumstances mean cases where, due to the activities of a business, an individual would be at serious risk of violence or intimidation if their details were made publicly available. Individuals can apply for all their information to be protected, or for protection of their residential address from disclosure to Credit Referencing Agencies.

Once an application for protection is received, the case is evaluated by reviewing the evidence provided by applicants, evidence sourced from relevant Law Enforcement Organisations and other information sourced by Companies House from internal records and desk research. On average, applications take six to nine months to process.

Between April 2016 and January 2019 Companies House received 903 applications for information about PSCs to be suppressed from the PSC register. Around half (52%) have been approved. Of the remaining half, 24% are waiting a decision, 18% were denied and 5% were rejected due to an issue with the application (e.g. errors in the form or insufficient payment).

Companies House has not yet been asked to provide information about PSCs covered by the protection regime to Specified Public Authorities. This was attributed to a lack of awareness that suppressed information was held by Companies House and could be shared with Specified Public Authorities.

It was suggested by Companies House staff that the Protection Regime was fulfilling its purpose but could be improved by broadening of the legislation to cover a wider range of risks and by digitalising the process of applying for protection.

# Introduction

## Background and objectives

The 2013 G8 summit centred on achieving change in three key areas: advancing trade, ensuring tax compliance and promoting greater corporate transparency.<sup>3</sup>

To improve corporate transparency, the UK established a publicly accessible register of company beneficial ownership called the People with Significant Control (PSC) register. It was implemented through the Small Business, Enterprise and Employment Act 2015 which amended the Companies Act 2006.<sup>4</sup>

The aims of the register were to make it easier for the public and Law Enforcement Organisations to ascertain who ultimately owns and controls UK companies, to promote trust amongst the businesses and provide better intelligence for criminal investigations.

UK private and public limited companies, unregistered companies, some listed companies, Societates Europaeae (SEs), limited liability partnerships (LLPs) and eligible Scottish partnerships (ESPs) are required to identify their PSCs, confirm their details, submit the information about their PSCs to the central PSC register and keep this information up to date.<sup>5</sup>

A PSC is defined an individual that meets one or more of following conditions:

- Directly or indirectly holds more than 25% of shares;
- Directly or indirectly holds more than 25% of voting rights;
- Directly or indirectly holds the right to appoint or remove the majority of the board of directors;
- Otherwise has the right to exercise, or actually exercises, significant influence or control;
- Has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm which is not a legal entity but would itself satisfy any of the first four conditions if it were an individual.

Almost all the details of PSCs submitted to the PSC register are made publicly available through the companies register held and maintained by Companies House. The residential address of PSCs and the day of their date of birth are only available to Law Enforcement Organisations and other specified public authorities (SPAs).

In exceptional circumstances, there is a system for protecting all or some information relating to PSCs from public access. This is known as the Protection Regime. Exceptional circumstances are cases where, due to the activities of a business or a combination of business activity and personal characteristics, an individual would be at serious risk of violence or intimidation if their details were made publicly available.<sup>6</sup>

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<sup>3</sup> [UK G8 Presidency Report \(Department for International Development, 2013\)](#)  
[Small Business, Enterprise and Employment Act 2015](#)

<sup>4</sup> [Small Business, Enterprise and Employment Act 2015](#)

<sup>5</sup> [Guidance for people with significant control over companies, societates europaeae, limited liability partnerships and eligible Scottish partnerships \(Department for Business, Energy and Industrial Strategy, 2017\)](#)

<sup>6</sup> [Guidance- Restricting the disclosure of your information \(Companies House, 2018\)](#)



In 2019, the Department for Business, Energy, and Industrial Strategy (BEIS) is carrying out a post-implementation review of the PSC register regulations. This review will evaluate whether:

- the regulations have achieved their original objectives;
- the objectives remain appropriate;
- the regulations are still required and remain the best option for achieving these objectives; and
- whether these objectives could be achieved in another way which involves less onerous regulatory provision to reduce the burden on business and/or increase overall societal welfare.<sup>7</sup>

This research will feed into the post-implementation review of the PSC register regulations by providing BEIS with an assessment and understanding of the costs, benefits, and overall effectiveness of the PSC register in promoting transparency.

## Methodology

### Research methods

A mixed-method approach was taken for this research, consisting of a quantitative survey of businesses and in-depth qualitative interviews with stakeholders. IFF Research undertook the research project on behalf of BEIS.

### Quantitative survey

A quantitative telephone survey was conducted with 500 businesses to measure the effects of complying with the PSC Regulations. Interviews were conducted using Computer Aided Telephone Interviewing (CATI) software at IFF's own telephone centre and, on average, lasted 20 minutes.

During fieldwork, interlocking quota targets were set using business size and complexity of ownership structure. The definition of these quotas were as follows:

- Business size:
  - Micro or small: businesses with less than 50 employees;
  - Medium or large: businesses with 50 or more employees.
- Complexity of ownership structure:
  - Simple: businesses that are the only corporate entity in their ownership chain;
  - Reasonably complex: businesses that have one other corporate entity in their ownership chain;
  - Complex: businesses that have two or more other corporate entities in their ownership chain or have any element of their ownership chain based overseas.

Table 1.1 presents the number of interviews achieved in each interlocking quota.

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<sup>7</sup> [Producing Post-Implementation Reviews \(Department for Business, Energy and Industrial Strategy, 2018\)](#)

**Table 1.1: Profile of quantitative interviews by size and ownership structure**

Size / ownership structure	Number
Micro or small & simple ownership structure	160
Micro or small & reasonably complex ownership structure	29
Micro or small & complex ownership structure	59
Medium or large & simple ownership structure	40
Medium or large & reasonably complex ownership structure	52
Medium or large & complex ownership structure	160

### Qualitative interviews

IFF Research conducted qualitative interviews with 30 organisations across five different stakeholder audiences to understand how they use the PSC register and the effect it has had on their work. Table 1.2 presents these stakeholder audiences and the number of interviews achieved with each.

**Table 1.2: Profile of qualitative interviews with stakeholder audiences**

Type of organisation	Number
Law Enforcement Organisations	8
Civil Society Organisation	6
Investment Association	2
Financial Institution	12
Business Organisation	2

In addition to interviews with stakeholders, qualitative interviews were conducted with two members of staff from Companies House to understand how the Protection Regime is managed.

### Weighting profile

Data from the quantitative survey was weighted to reflect the profile of the UK business population in terms of size and complexity of ownership structure. Due to the unavailability of population data pertaining to the number and location of corporate entities in the ownership chains of UK businesses, it was necessary to use a proxy for the profile of complexity of ownership. The proxy used was the profile of the number of controlling shareholders UK businesses have and was sourced from Bureau van Dijk's FAME database.<sup>8</sup> The profile that quantitative data was weighted to is presented in Table 1.3. For all quantitative findings

<sup>8</sup> Controlling shareholders are corporate entities or natural persons owning more than 50% of a business.

presented in the report, the percentages are weighted and the bases are unweighted unless stated otherwise.

**Table 1.3: Weighting profile**

	<b>0 or 1 controlling shareholders</b>	<b>2 controlling shareholders</b>	<b>3 shareholders or more</b>
Micro or small	60%	28%	11%
Medium or large	1%	1%	1%
Total	60%	28%	12%

## Modelling of financial costs

The financial cost of tasks related to the PSC register was measured using a three-stage approach:

1. Respondents were asked to estimate the number of staff at senior manager, middle manager and administrative level that were involved in a task;
2. Respondents estimated the amount of time spent by each staff level to complete a task;
3. Respondents estimated the cost of any additional financial spend directly related to a task (e.g. the cost of using a third party).

To convert the results of stages 1 and 2 into a financial cost, the number of staff involved at each level was multiplied by the number of hours spent on the task. This figure was then multiplied by the average hourly wage for the relevant staff level (see Table 1.4) and added to additional financial costs.

**Table 1.4: Average hourly wage by staff level**

<b>Senior managers</b>	£41.66
<b>Middle managers</b>	£22.44
<b>Administrative staff</b>	£10.73

Source: ONS' Annual Survey of Hours and Earnings 2017<sup>9</sup>

<sup>9</sup> [Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14. \(Office for National Statistics, 2018\)](#)

# Businesses' engagement with the PSC register

*This chapter covers how businesses have engaged with the PSC register. Specifically, the chapter covers the extent to which businesses kept records of beneficial ownership before the introduction of the register; the number of PSCs that businesses have; when businesses first submitted information to the PSC register, and whether it has been checked since; and the extent to which PSCs have changed since the first submission of information, and when Companies House were informed of these changes.*

## Businesses' behaviour prior to the PSC register

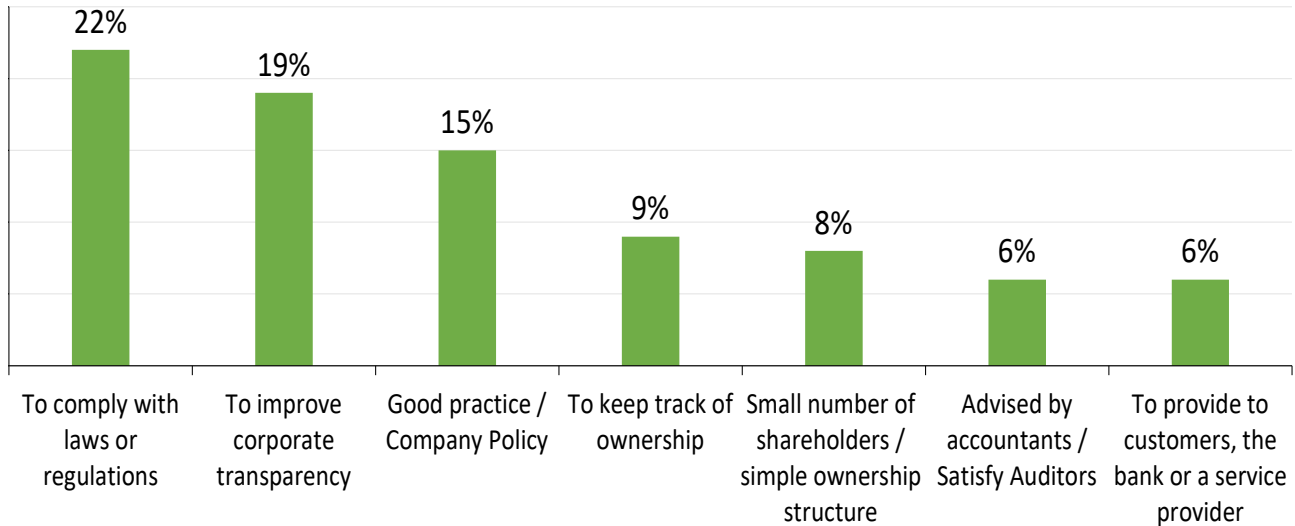
Two thirds of businesses (66%) kept records of their beneficial owners before PSC regulations came into force. Medium and large businesses were more likely to keep these records than micro and small businesses (76% vs 66%). Businesses with a complex ownership structure were also more likely to keep these records than businesses with a simple ownership structure (75% vs 62%).<sup>10</sup>

A variety of reasons were given for keeping records of beneficial ownership prior to the introduction of the PSC register, as presented in Figure 2.1. Around one fifth kept records in order to comply with existing laws or regulations (22%) and a further fifth kept records to improve corporate transparency (19%). Businesses with a reasonably complex ownership structure were more likely keep records to improve corporate transparency than businesses with a simple ownership structure (28% vs 14%).

Another prominent reason for keeping records of beneficial ownership prior to the introduction of the PSC register was for good practice or due to company policy (15%). Businesses with a reasonably complex ownership structure were more likely to give this reason than businesses with a simple ownership structure (24% vs 11%).

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<sup>10</sup> Simple businesses are defined as those that are the only corporate entity in their ownership chain. Reasonably complex businesses are defined as those that have one other corporate entity in their ownership chain. Complex businesses are defined as those that have two or more other corporate entities in their ownership chain or have any elements of their ownership chain based overseas.



Source: PSC register research survey. A2. What were the reasons for keeping records of beneficial owners before the regulations were introduced? (356)

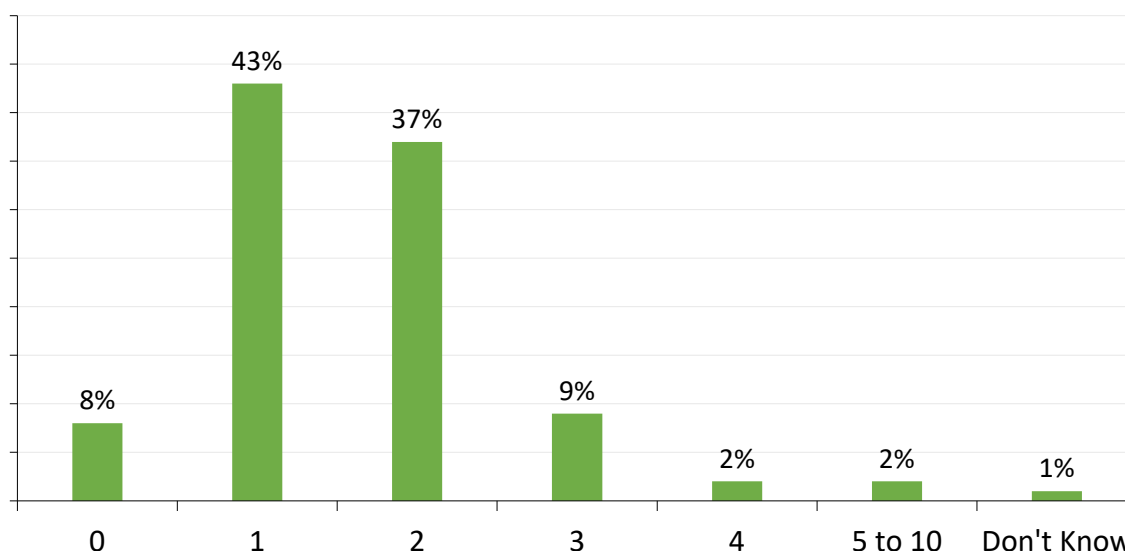
**Figure 2.1: Reasons for keeping beneficial ownership data**

## The numbers of PSCs businesses have

It is possible for a business to have zero PSCs or several, depending on its ownership and leadership structure.

The majority of businesses (92%) had at least one PSC. As presented in Figure 2.2, the most common number of PSCs reported was one (43%), followed by two (37%). Only around one in fifty had more than five PSCs (2%).

Medium and large businesses were more likely than micro and small businesses to have no PSCs (18% vs 8%). Similarly, businesses with a complex ownership structure were more likely than businesses with a simple ownership structure to have no PSCs (15% vs 5%).



Source: PSC register research survey. A3b. Number of people with significant control: bands. Base: All businesses (500)

### Figure 2.2: Number of PSCs

After the completion of the quantitative survey, the number of PSCs reported by each business was compared to the PSC register.<sup>11</sup> Of those who provided the number of PSCs in their business, two thirds (67%) reported a number that matched the number listed on the PSC register.

Amongst the third of businesses (33%) that reported a number that did not match, it was more likely for the number reported to be higher than the number shown on the PSC register. A quarter of businesses (25%) reported a figure that was higher while eight percent that reported a figure that was lower.

Of those that reported a higher number of PSCs than listed on the register, 15% reported a number that was one higher, six percent reported a number that was two higher and four percent reported a number that was higher by three or more. Of those that reported a lower number of PSCs than listed on the register, seven percent reported a figure that was one lower and one percent reported a figure that was lower by two or more.

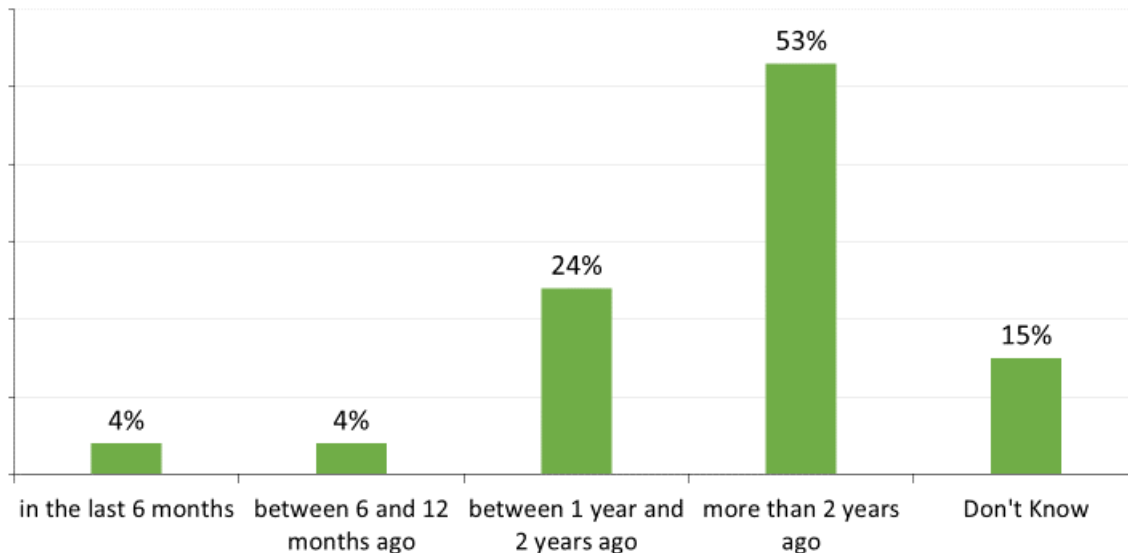
Discrepancies between the number of PSCs reported in the survey and the number of PSCs listed on the register were more likely amongst businesses that had experienced a change to their PSCs since their initial submission of information than those that had not experienced a change (48% vs 31%).

## The first submission of PSC information

As shown in Figure 2.3, most businesses (53%) submitted PSC information for the first time more than two years ago. Almost a quarter submitted information for the first time between one year and two years ago (24%). This would be expected as businesses were required to submit this information as part of their first confirmation statement before June 2017.

<sup>11</sup> Please note that these figures are not weighted.

Around one in twenty submitted PSC information for the first time either in the last 6 months (4%) or between 6 and 12 months ago (4%). It is possible that these businesses were incorporated within the last 12 months.



Source: PSC register research survey. B1. When did your business first provide information about your business' PSCs to Companies House? Base: All businesses (500)

### Figure 2.3: First submission of PSC information

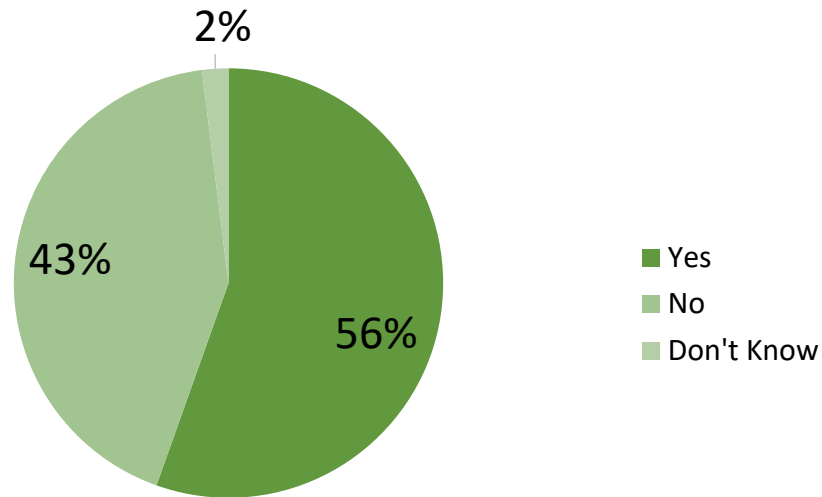
Businesses with a complex or reasonably complex ownership structure were more likely to submit information for the first time more than two years ago than businesses with only one layer of ownership (62% and 59% vs 48%). This may be related to the finding that these types of business were also more likely to be keeping similar records before the PSC regulations were introduced, and therefore did not need to make a major change to their practices.

Around three quarters of those who kept records prior to the PSC regulations made their first submission more than two years ago (74%).

## Checking PSC information

As presented in Figure 2.4, a narrow majority of businesses (56%) said that they had checked that the PSC information they submitted was still correct since their initial submission.

Medium and large businesses were more likely than micro and small businesses to have checked this information (72% vs 56%). Businesses with a complex ownership structure were also more likely than businesses with a simple ownership structure to have checked this information (70% vs 52%).



Source: PSC register research survey. C1. Since your initial submission of PSC information to Companies House, have you checked whether the information is still correct? Base: All businesses (500)

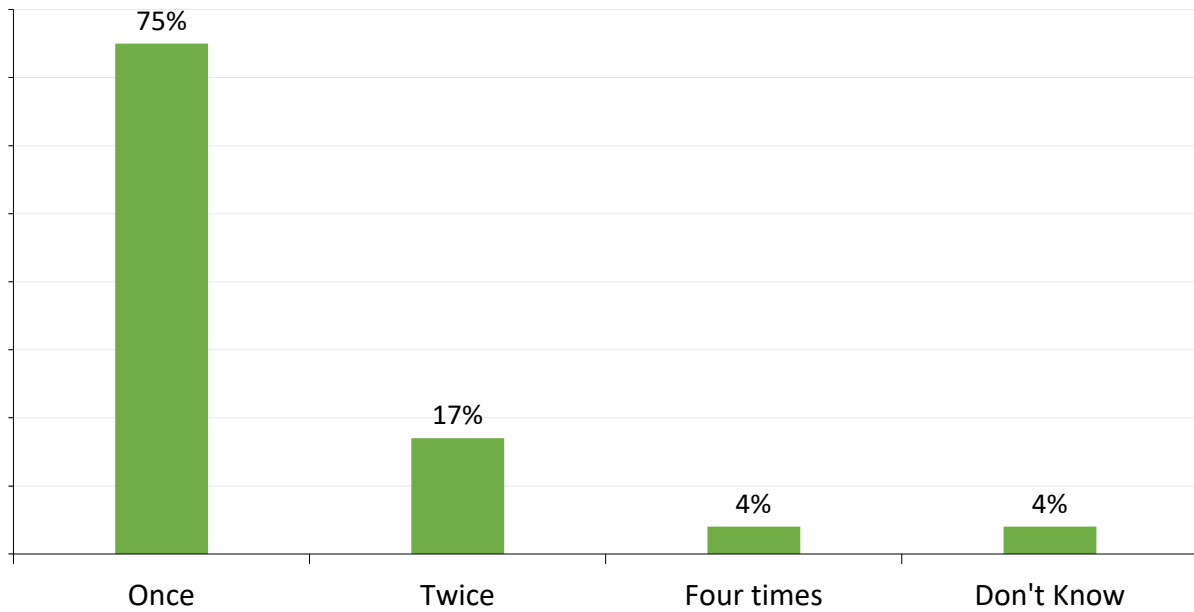
**Figure 2.4: Businesses checking submitted information**

## Change in businesses' PSCs

One in ten businesses (10%) said their PSCs had changed since their initial submission of PSC information. Businesses with a complex or reasonably complex ownership structure were more likely to have had changes to their PSC information than those with a simple ownership structure (15% and 17% vs 6%).

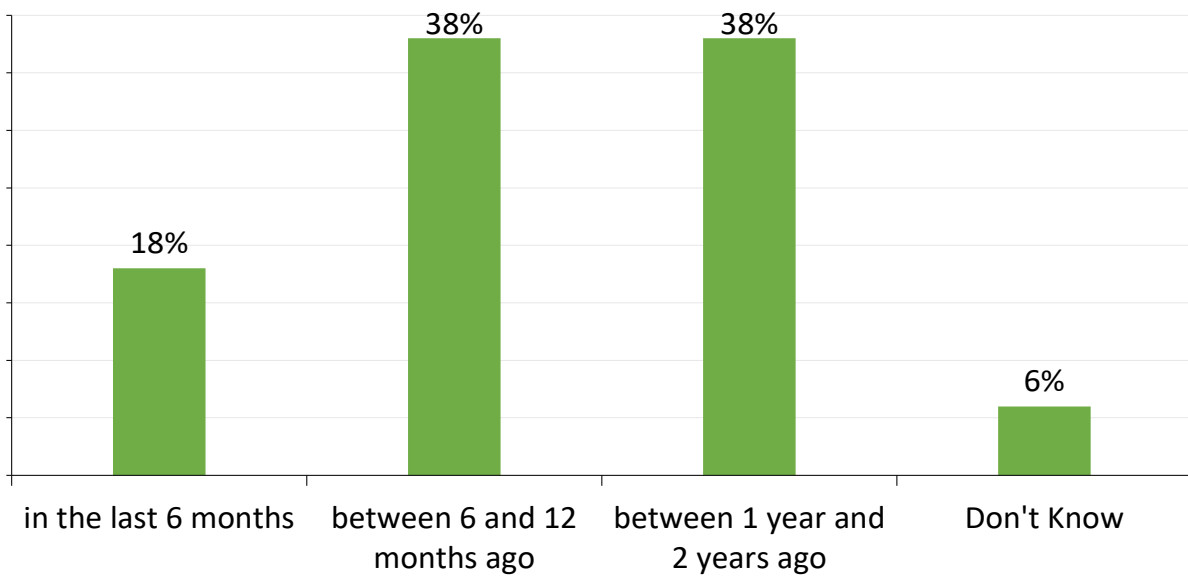
As presented in Figure 2.5, three quarters (75%) of those who had experienced a change to their PSCs said that this had only occurred once. One in six (17%) said that a change had occurred twice. These changes mostly occurred between one and two years ago (38%) or between 6 months and 1 year ago (38%), as shown in Figure 2.6.





Source: PSC register research survey. C4. How many times have PSCs changed since June 2016? Base: All businesses where PSCs had changed (60)

**Figure 2.5: Changes to PSCs**



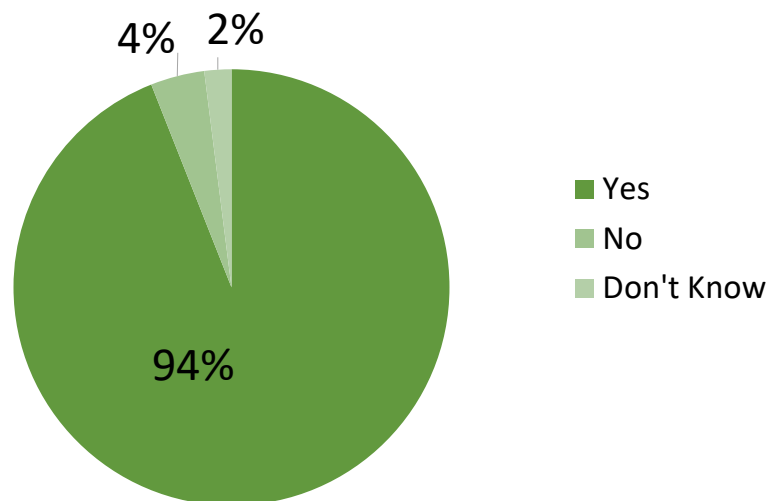
Source: PSC register research survey. C4c. When was the last time the business' PSCs changed? Base: All who provided a number of changes (60)

**Figure 2.6: When PSCs last changed**

## Updating PSC information

As set out in the PSC guidance published by BEIS, companies must enter information on their own PSC register within 14 days of becoming aware that a person meets the PSC

conditions.<sup>12</sup> They then must update the central register at Companies House within a further 14 days. As presented in Figure 2.7, 94% of businesses that reported that there had been a change to their PSCs since their initial submission had informed Companies House about the change. Of the remaining six percent, four percent had not informed Companies House and two percent did not know if they had informed Companies House.



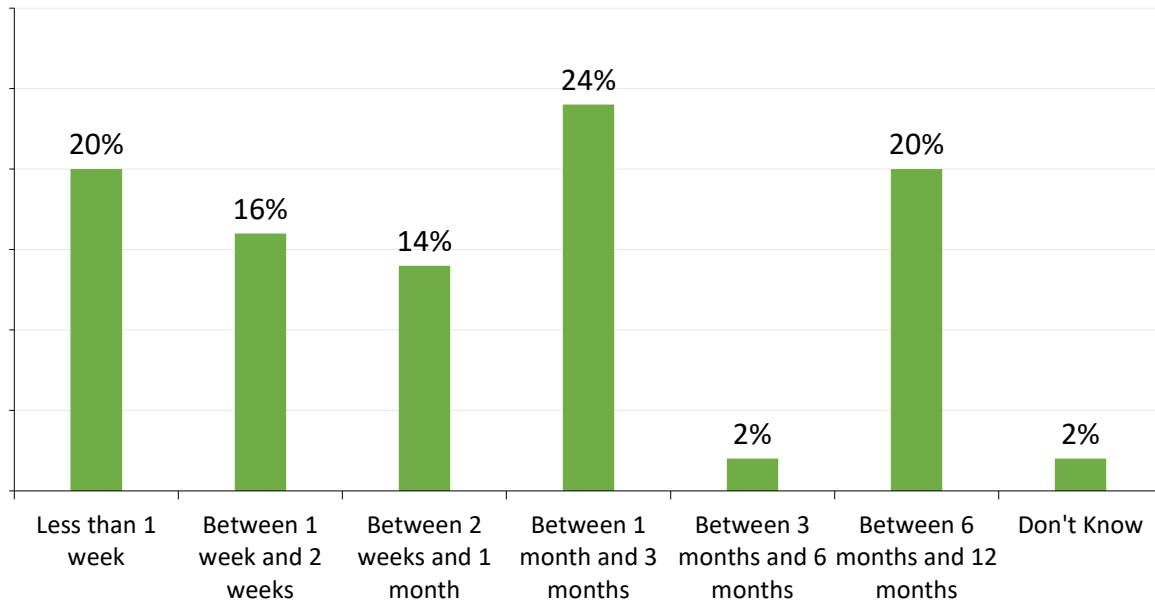
Source: PSC register research survey. C5. Thinking about the last time there was a change to your business' PSCs, did you inform Companies House of this change or update the information on the PSC register? Base: All whose PSCs changed (60)

### Figure 2.7: Businesses updating submitted information

As presented in Figure 2.8, amongst those who had informed Companies House of a change to their PSCs, half (50%) did so within one month and three quarters (74%) did so within 3 months. However, a fifth (20%) took longer than six months to update this information.

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<sup>12</sup> [Guidance for people with significant control over companies, societates europaeae, limited liability partnerships and eligible Scottish partnerships \(Department for Business, Energy and Industrial Strategy, 2017\)](#)



Source: PSC register research survey. C6. How long after this change was it before you informed Companies House or updated the information on the PSC register? Base: All who updated their PSC information (56)

**Figure 2.8: Time taken to update Companies House**

# The effects of the PSC register on businesses

*This chapter covers the effects of the introduction of the PSC register on businesses. The chapter begins by focusing on the financial costs of complying with the regulations before moving on to the effects the regulations have had on the way businesses operate.*

## Measuring the cost of compliance

Businesses were asked about the time spent on tasks related to their initial submission of information to the PSC register and tasks related to the maintenance of information held on the PSC register. These tasks are outlined below:

- Tasks related to the initial submission of PSC information:
  - Familiarisation with the requirements of the PSC register;
  - Identifying the business's PSCs;
  - Collecting and collating information about the business's PSCs; and
  - Submitting information about the business's PSCs.
- Tasks related to the maintenance of information held on the PSC register:
  - Checking the information about the business's PSCs;
  - Identifying new PSCs;
  - Collecting and collating information about new PSCs; and
  - Submitting information about new PSCs.

To arrive at the financial cost of each of these tasks a three-stage approach was taken:

1. Respondent businesses estimated the number of staff at senior manager, middle manager and administrative level that were involved in a task;
2. Respondent businesses estimated the amount of time spent by each staff level to complete a task;
3. Respondent businesses estimated the cost of any additional financial spend directly related to a task (e.g. the cost of using a third party).

To convert the results of stages 1 and 2 into a financial cost, the number of staff involved at each level was multiplied by the number of hours spent on the task. This figure was then multiplied by the average hourly wage for the relevant staff level (see Table 1.4). To calculate the overall cost of a task, this figure was then added to any additional financial spend directly related to a task.

The tables in the remainder of this chapter present the mean average and median average staff costs, additional costs and the overall cost of each task related to the submission of information to the PSC register and the maintenance of information held on the PSC register.

In this scenario, the median is considered a more useful metric than the mean for the cost of compliance. This is because, due to a relatively small sample size, a small number of outliers has caused the mean averages to be skewed upwards.

## Initial financial costs

### Cost of familiarisation with PSC regulations

Firstly, businesses were asked to focus on the task of familiarising themselves with the requirements of the PSC register when the regulations were introduced. Table 3.1 outlines the average staff costs, average additional costs and average overall costs involved with doing so at an overall level, and by ownership structure and by business size.<sup>13</sup>

**Table 3.1: Costs of familiarisation with PSC regulations**

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(500)	(200)	(81)	(219)	(248)	(252)
	£	£	£	£	£	£
Mean staff costs	<b>102</b>	77	157	99	100	216
Median staff costs	<b>42</b>	42	42	42	42	83
Mean additional costs	<b>32</b>	35	15	55	22	603
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>130</b>	<b>108</b>	<b>171</b>	<b>150</b>	<b>119</b>	<b>773</b>
<b>Median overall costs</b>	<b>42</b>	42	42	64	42	83

The mean staff cost for all businesses was £102 and the median staff cost for all businesses was £42.

The mean for additional financial spend among all businesses was £32, whereas the median was £0. Over three-quarters of businesses (81%) reported there were no additional costs for familiarisation.

<sup>13</sup> Simple businesses are defined as those that are the only corporate entity in their ownership chain. Reasonably complex businesses are defined as those that have one other corporate entity in their ownership chain. Complex businesses are defined as those that have two or more other corporate entities in their ownership chain or have any elements of their ownership chain based overseas.

In overall terms, the mean cost for all businesses was £130 and the median was £42. Around one sixth of businesses (16%) reported zero overall costs for familiarising themselves with the requirements of the PSC register.

Medium and large businesses are more likely to have reported a higher overall cost associated with familiarising themselves with the regulations, with a mean overall cost of £773, compared to £119 for micro and small businesses.

### Cost of identifying PSCs

Businesses were asked about the process of identifying their PSCs before they first provided this information to the PSC register. The mean overall cost for businesses was £61, while the median overall cost was £21 (Table 3.2). A quarter of businesses (26%) reported zero overall costs for identifying their PSCs.

Business size had a noticeable impact on the mean overall cost of identifying PSCs, with medium and large businesses estimating an overall mean cost of £539 and micro and small businesses estimating an overall mean cost of £52. The mean staff cost was £47 overall, which ranged from £46 for micro and small businesses to £113 for medium and large businesses.

Nine in ten businesses (90%) stated there were no additional costs related to identifying their PSCs.

**Table 3.2: Costs of identifying PSCs**

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(500)	(200)	(81)	(219)	(248)	(252)
	£	£	£	£	£	£
Mean staff costs	<b>47</b>	34	69	58	46	113
Median staff costs	<b>21</b>	10	21	16	21	42
Mean additional costs	<b>15</b>	20	3	17	7	443
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>61</b>	<b>53</b>	<b>72</b>	<b>75</b>	<b>52</b>	<b>539</b>
Median overall costs	21	10	21	16	21	42

## Cost of collecting and collating information about the PSCs

Next, businesses were asked to think about collecting and collating the information about their PSCs. Table 3.3 outlines the staff, additional and overall average costs associated with this task.

**Table 3.3 Costs of collecting and collating information about the PSCs**

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(431)	(185)	(66)	(180)	(227)	(204)
	£	£	£	£	£	£
Mean staff costs	<b>32</b>	29	32	46	31	65
Median staff costs	<b>16</b>	10	21	16	13	21
Mean additional costs	<b>4</b>	6	0	3	4	13
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>35</b>	<b>34</b>	<b>32</b>	<b>49</b>	<b>35</b>	<b>77</b>
<b>Median overall costs</b>	<b>16</b>	10	21	16	16	21

The mean overall cost for businesses was £35, while the median overall cost was £16. A quarter (26%) of businesses reported no overall cost of collecting and collating information about their PSCs.

Medium and large businesses attached a higher cost to collection and collation, with a higher mean overall cost of £77 compared to £35 for micro and small businesses. Medium and large businesses also had a higher overall mean for both staff costs (£65 compared to £31 among micro and small businesses) and additional costs (£13 compared to £4 for micro and small businesses).

## Cost of submitting information about the PSCs

In terms of the costs of submitting the information to the PSC register, Table 3.4 shows that the mean overall cost for businesses was £36, while the median overall cost was £21. A fifth (19%) of businesses reported no overall cost of submitting information to the PSC register.

Medium and large businesses had a much higher cost associated with submitting information, with a mean overall cost of £124 compared to £34 among micro and small businesses. Mean staff costs were also far greater at £110 compared to £26.

The mean additional cost for businesses submitting information to the PSC register was £9, however, approximately nine in ten businesses (88%) reported no additional cost.

**Table 3.4 Costs of submitting information about the PSCs**

	Structure				Size	
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(500)	(200)	(81)	(219)	(248)	(252)
	£	£	£	£	£	£
Mean staff costs	<b>27</b>	25	24	44	26	110
Median staff costs	<b>12</b>	10	21	11	12	21
Mean additional costs	<b>9</b>	11	7	9	9	15
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>36</b>	<b>35</b>	<b>31</b>	<b>53</b>	<b>34</b>	<b>124</b>
<b>Median overall costs</b>	<b>21</b>	11	21	21	21	21

## Ongoing financial costs

### Cost of checking information about the PSCs

Businesses are required to update PSC information to reflect any changes to who the business's PSCs are and whether there have been any changes to the details of PSCs (for example residential address).

Over half of businesses (56%) had checked whether the information is still correct since their initial submission. As shown in Table 3.5 the mean overall cost of businesses checking the accuracy of information on the PSC register was £31, while the median overall cost was £11. One in ten businesses (11%) reported zero overall costs.

The mean overall costs associated with this element of compliance with PSC regulations were higher among medium and large businesses (£133) compared with micro and small businesses (£29). This was also the case for complex businesses when compared to other businesses.

The mean staff cost was £29 overall, which ranged from £28 for micro and small businesses to £76 for medium and large businesses.



**Table 3.5 Costs of checking information about the PSCs**

	Structure				Size	
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(322)	(111)	(55)	(156)	(141)	(181)
	£	£	£	£	£	£
Mean staff costs	<b>29</b>	27	25	49	28	76
Median staff costs	<b>10</b>	10	11	10	10	11
Mean additional costs	<b>2</b>	2	0	4	1	58
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>31</b>	<b>29</b>	<b>26</b>	<b>52</b>	<b>29</b>	<b>133</b>
<b>Median overall costs</b>	<b>11</b>	11	11	10	11	11

### Cost of identifying new PSCs

Businesses that had updated the information on the PSC register since their initial submission were asked about the process identifying new PSCs.

The mean overall cost of businesses undertaking this task was £55, while the median overall cost was £21. One in ten (12%) reported zero overall costs.

The mean additional cost was marginal at £7, while the median additional cost was £0. A high proportion (86%) reported zero additional costs for identifying their business's updated PSCs.

**Table 3.6 Costs of identifying new PSCs**

	Structure				Size	
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(59)	(9)	(15)	(32)	(21)	(35)
	£	£	£	£	£	£
Mean staff costs	<b>48</b>	74	40	25	48	54
Median staff costs	<b>21</b>	83	21	22	21	22
Mean additional costs	<b>7</b>	0	1	36	7	17
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>55</b>	<b>74</b>	<b>41</b>	<b>61</b>	<b>54</b>	<b>70</b>
<b>Median overall costs</b>	<b>21</b>	83	21	29	21	22

### Cost of collecting and collating information about the new PSCs

Businesses that had updated the information on the PSC register were subsequently asked about the time and costs spent collecting and collating this new information. Table 3.7 outlines the staff, additional and overall average costs associated with this task.

**Table 3.7 Costs of collecting and collating information about the new PSCs**

	Structure				Size	
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(56)	(9)	(15)	(32)	(21)	(35)
	£	£	£	£	£	£
Mean staff costs	<b>38</b>	72	24	18	38	33
Median staff costs	<b>21</b>	21	22	21	21	21
Mean additional costs	<b>4</b>	0	0	24	5	0
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>38</b>	<b>72</b>	<b>24</b>	<b>18</b>	<b>38</b>	<b>33</b>
<b>Median overall costs</b>	<b>21</b>	21	22	21	21	21

The mean overall cost for businesses was £38, while the median overall cost was £21. Around one in seven businesses (14%) reported zero overall costs for collecting and collating the updated information about their PSCs.

In this case, the mean overall cost was higher among micro and small businesses than it was for medium and large businesses (£38 vs £33). Costs were also higher for businesses with a simple structure (£72) compared to other businesses.

### Cost of submitting information about the new PSCs

Businesses were asked about the process of providing updated information to the PSC register. As shown in Table 3.8 the mean overall cost for businesses was £25, while the median overall cost was £21. Around one in seven businesses (14%) reported zero overall costs for submitting the updated information to the PSC register.

The mean overall cost for this task was higher among medium and large businesses than micro and small businesses (£39 vs £25). Costs were also higher for businesses with a complex ownership structure compared to other businesses.

The mean additional cost was just £5, with over three-quarters of businesses (78%) reporting zero additional costs.

**Table 3.8 Costs of submitting information about the new PSCs**

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(56)	(9)	(15)	(32)	(21)	(35)
	£	£	£	£	£	£
Mean staff costs	<b>21</b>	16	26	16	21	38
Median staff costs	<b>21</b>	10	22	16	21	21
Mean additional costs	<b>5</b>	0	3	18	5	0
Median additional costs	<b>0</b>	0	0	0	0	0
<b>Mean overall costs</b>	<b>25</b>	<b>16</b>	<b>28</b>	<b>34</b>	<b>25</b>	<b>39</b>
<b>Median overall costs</b>	<b>21</b>	10	32	16	21	21

## Total overall cost of compliance with PSC regulations

The costs of each of the tasks related to submitting information to the PSC register for the first time were added together in order to calculate the mean and median overall cost of initial PSC submission, as detailed in Table 3.9 below.<sup>14</sup>

The mean overall cost of initial PSC submission for businesses was £259, while the median cost was £115. The mean overall cost was far higher for medium and large businesses (£1,497) compared to micro and small businesses (£238). The cost was also highest for businesses with a complex structure compared to other businesses.

**Table 3.9 Overall cost of compliance with PSC regulations**

	Structure			Size		
	Total	Simple	Reasonably Complex	Complex	Micro / small	Medium / large
Base	(500)	(200)	(81)	(219)	(248)	(252)
	£	£	£	£	£	£
Mean overall cost of initial PSC submission	<b>259</b>	228	302	318	238	1,497
Median overall cost of initial PSC submission	<b>115</b>	90	157	125	112	183
Mean overall cost of checking/ updating PSC information	<b>29</b>	23	31	52	27	113
Median overall cost of checking/ updating PSC information	<b>2</b>	0	10	10	2	10
<b>Mean overall cost of compliance with PSC regulations</b>	<b>287</b>	<b>251</b>	<b>333</b>	<b>370</b>	<b>265</b>	<b>1,610</b>
<b>Median overall cost of compliance with PSC regulations</b>	<b>125</b>	95	167	135	125	208

The cost of tasks related to checking and updating PSC information were added together in order to calculate the mean and median overall cost. The mean overall cost of checking and updating PSC information for businesses was £29, while the median cost was £2. The mean overall cost was again higher for medium and large businesses (£113) compared to micro and small businesses (£27), as was the case for businesses with a complex structure compared to other businesses.<sup>15</sup>

<sup>14</sup> These tasks include Familiarisation with the requirements of the PSC register; Identifying the business's PSCs; Collecting and collating information about the business's PSCs; and Submitting information about the business's PSCs.

<sup>15</sup> These tasks include checking the information about the business's PSCs; identifying new PSCs; collecting and collating information about new PSCs; and submitting information about new PSCs.

Finally, the costs associated with the initial PSC submission and the costs for checking and updating PSC information were combined to produce a total cost of compliance with PSC regulations. The mean overall cost for businesses was £287, while the median overall cost was £125. Following patterns noted previously, the mean overall cost was higher for medium and large businesses than micro and small businesses (£1,610 vs £265), as was the case for businesses with a complex structure (£333).

## Effects on the way businesses operate

Businesses were asked to what extent the process of collecting information about their business's PSCs and submitting it to the PSC register has affected the way their business operates.

The majority of businesses (95%) felt the process had not had an impact at all, while four percent said it had affected the way their business operates a little and just one percent said it had affected it a lot. A further one percent were unsure. As we may expect, businesses that previously kept beneficial ownership records were more likely than those that did not to feel the process had not affected the way their business operates at all (96% vs 91%).

Of the 22 businesses that felt the process of collecting information about their business's PSCs and submitting it to the PSC register has had some impact on the way their business operates, ten stated it had resulted in extra work. However, others reported positive impacts, most commonly improved record keeping (two businesses). Six businesses were unsure of the precise way the process had affected the way their business operates.

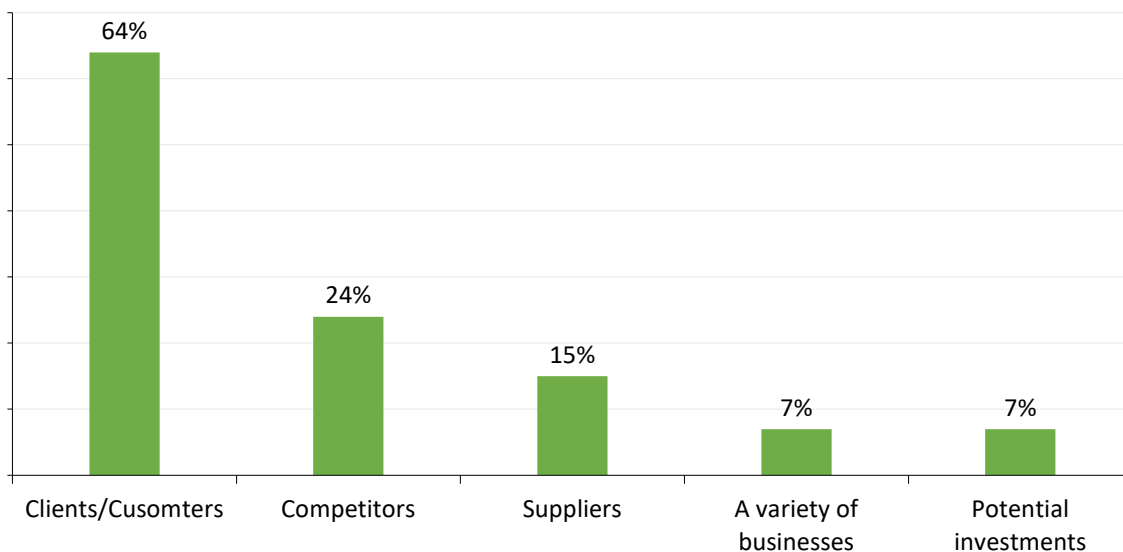
# Use of the PSC register

The following chapter describes how the PSC register is used. The chapter begins by focusing on how businesses use the register before moving on to the findings of qualitative interviews with stakeholders.

## Business' use of the PSC register

Around one fifth of businesses used the PSC register to look up information on other businesses (22%). Businesses with a complex ownership structure were more likely to use the register (30%) than those with a simple ownership structure (20%).<sup>16</sup>

As shown in Figure 4.1, of those who had used the PSC register, the majority were looking up information on clients and customers (64%). Businesses with a simple ownership structure were more likely to search for this information than businesses with a complex ownership structure (65% vs 45%). Competitors (24%) and suppliers (15%) were also commonly searched for.



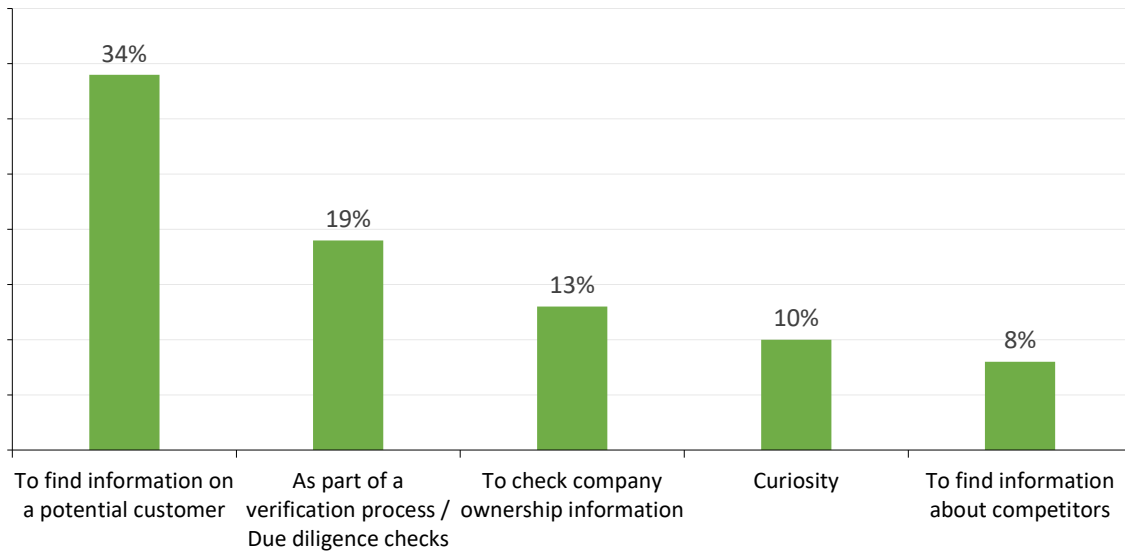
Source: PSC register research survey. Question D2. What kind of businesses were you looking up this information for? Base: All those who used the register (123)

**Figure 4.1: Groups searched for on the PSC register**

These findings were supported by findings of the follow up question about the reason for looking up businesses on the PSC register. As shown in Figure 4.2, the most common reason for using the PSC register was to look up information on customers or suppliers (34%). Businesses with a simple ownership structure were more likely to report this than businesses with a complex ownership structure (28% vs 13%). The register was also used by around one

<sup>16</sup> Simple businesses are defined as those that are the only corporate entity in their ownership chain. Reasonably complex businesses are defined as those that have one other corporate entity in their ownership chain. Complex businesses are defined as those that have two or more other corporate entities in their ownership chain or have any elements of their ownership chain based overseas.

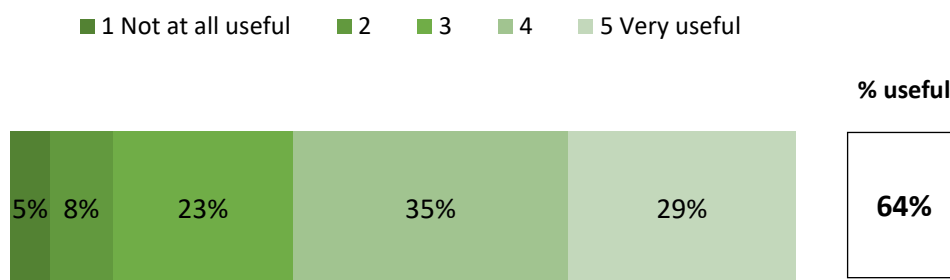
in five (19%) as part of a verification process or due diligence checks. One in ten (10%) were merely searching out of curiosity and 8% were searching in order to find information about competitors.



Source: PSC register research survey. Question D3. And why were you looking up this information? Base: All those who used the register (123)

**Figure 4.2: Reasons for using the PSC register**

As shown in Figure 4.3, The majority (64%) of businesses found the information available on the PSC register to be useful, with close to a third (29%) considering it to be very useful. Only 5% of businesses said the information was not at all useful.



**Figure 4.3 Usefulness of the PSC register information**

Source: PSC register research survey. Question D4. On a scale of 1 to 5, where 5 is very useful and 1 is not at all useful, how useful was the information you obtained from the PSC register? Base: All those who used the register (123)

## Stakeholders' use of the PSC register

### How the PSC register is used by stakeholders

#### Law Enforcement Organisations

All Law Enforcement Organisations we spoke to had used the PSC register to inform criminal investigations. The extent to which the PSC register is used varied from organisation to organisation, but most reported using it at least weekly.

The register is typically used on a record-by-record basis, to identify and develop an understanding of individuals who own or control corporate entities suspected of criminal activity (e.g. fraud or money laundering). Some Law Enforcement Organisations also mentioned analysing the PSC register at an aggregate level when investigating corporate networks.

*“When we look at an individual or corporate entity and build up a case, one of the key things we would be looking for is the associations and links to companies. Companies House and the PSC register are one of the initial checks we would do.”*

**Law Enforcement Organisation**

*“One of the most important things to start off with is to see who actually control over a company and the main people involved in it, and if it is a group of companies I would want to see who was involved in the other ones as well and if there was a crossover”*

**Law Enforcement Organisation**

Law Enforcement Organisations generally used the PSC register in conjunction with other information sources. This included internal law enforcement databases, commercial databases (e.g. World-Check and Dunn & Bradstreet) and other information available from Companies House (e.g. Annual Returns).

#### Financial Institutions

All Financial Institutions interviewed as part of this study had used the PSC register. It was mainly used to identify the PSCs of prospective corporate clients during the onboarding process. It is necessary for Financial Institutions to use multiple sources of information to check the identity of clients to comply with customer due diligence requirements and so the PSC register was used frequently, often more than once a week. In addition to the PSC register, Financial Institutions also used commercial databases (e.g. FAME) and other information available from Companies House, such as Annual Returns.

*“The PSC register is used normally when we’re taking on a new client or it could be where the ownership of the client has changed... when you take on a client we need to determine who they are and who they are controlled by.”*

**Financial Institution**

Some Financial Institutions also used the PSC register to inform the services they provide to clients. For example, to check who the PSCs of a business are before advising on a merger or acquisition and to understand the ownership structure of a business when conducting a valuation.



*“We may be searching a company that one of my clients is interested in acquiring or in doing business with, and they would want to know who is behind the company in order to ascertain whether or not that company is someone they should be doing business with.”*

**Financial Institution**

*“It may be that we are doing a valuation exercise ... an individual may not necessarily want other shareholders or directors of the company to know that they are looking at exiting ... it is helpful to understand how their shares fit in to the overall ownership of the company”*

**Financial Institution**

In addition to using the PSC register to identify the PSCs of prospective corporate clients and to inform the services they provide to clients, many Financial Institutions also engaged with the PSC register in order to compile and submit information to Companies House on behalf of their clients. One Financial Institution estimated that they had done this for over 2,500 clients.

### **Civil Society Organisations**

All Civil Society Organisations we spoke to had used the PSC register. Many of these organisations used it for research purposes, typically on a record-by-record basis. For example, some Civil Society Organisations discussed using the register to research specific individuals or corporate entities of interest. Some Civil Society Organisations also explained how they analysed the data held on the register at an aggregate level to identify trends in the PSC population (e.g. ownership chains and the countries of residence of PSCs).

*“Whenever a UK company comes up in a case, or a certain individual, we can simply go into the PSC register, enter that information and see what comes up.”*

**Civil Society Organisation**

*“Bulk data is downloaded to show structured relationships between a beneficial owner and the company that they are involved in owning.”*

**Civil Society Organisation**

As well as using the PSC register as a resource for their own research, a few Civil Society Organisations used the register to create resources for others. For example, one Civil Society Organisations explained how the PSC register was downloaded on a regular basis and combined with other databases to create a publicly accessible tool.

*“A journalist could conduct a query on a company name and, without them actually specifically doing it, they would have also searched... more generic free company products from Companies House. We update this automatically every month.”*

**Civil Society Organisation**

Some Civil Society Organisations have also spent time analysing the quality and coverage of the data held on the PSC register. This analysis has primarily been undertaken to identify issues with the data submitted to the register so that improvements can be recommended to Companies House. The analysis has also been carried out to better understand corporate

transparency at a macro level; this is because gaps and “quirks” in the data are thought to highlight businesses that want to keep the identity of their PSCs hidden.

*“If we hadn’t had access to that data as open data, I am not necessarily sure who would be spotting data quality issues and reporting that back to Companies House”*

**Civil Society Organisation**

*“We’ve been able to look at how many companies didn’t declare information and how many cases of non-compliance we can find, which in itself is quite interesting to us”*

**Civil Society Organisation**

A couple of Civil Society Organisations used the PSC register to advocate corporate transparency in other jurisdictions. These Civil Society organisations have used the PSC register as a case study to promote the creation of similar registers elsewhere.

*“We can now go to other places and talk about what we see from the UK register and make a case why they should be doing the same thing”*

**Civil Society Organisation**

## **Investment Associations and Business Organisations**

Unlike other stakeholders, Investment Associations and Business Organisations had little direct interaction with the PSC register. Some were aware that the register is used by some of their members to carry out due diligence checks on customers, but generally have not had any requirement to use it themselves.

*“Our members use the PSC register for corporate clients because they have to confirm beneficial ownership of the corporate client”*

**Investment Association**

One Investment Association explained that the PSC register has not affected the work of their members because, owing to concerns about the quality of information held, they had advised them to not use the register to inform due diligence checks.

## **The effect of the PSC register on the work of stakeholders**

### **Law Enforcement Organisations**

Most Law Enforcement Organisations said that the introduction of the PSC register has had a positive effect on their work. It was generally felt that the introduction of the register has not influenced the availability of information about beneficial owners of companies; however, it has made it quicker and easier to obtain such information. Therefore, the process of identifying and developing an understanding of individuals that control corporate entities and the corporate networks of which they form part has been made more efficient.

*“It is definitely useful. We have some cases ongoing at the moment where it has undoubtedly helped us take cases forward. I’m not saying we wouldn’t have got to where we are now without it but it would have required us to jump through a number of hoops”*

#### **Law Enforcement Organisation**

Some Law Enforcement Organisations did not think that the introduction of the PSC register had affected their work. For these organisations, this was because concerns over data quality meant that they did not use the register much to inform their investigations. These concerns stemmed from the knowledge of non-compliant information being submitted to the PSC register. For example, some mentioned cases where no PSCs were listed; cases where individuals conceal their identity by enlisting the services of a proxy; cases where by the shares held by the actual PSCs have been diluted so they no longer meet the legal criteria; and cases where other corporate entities are listed as PSCs.

*“Companies House has very limited capacity and resources for analysis and compliance work. Most of the data is whatever the individual told them it is, and people are aware that it’s not checked”*

#### **Law Enforcement Organisation**

*“I wouldn’t say I rely heavily on it. Because we are dealing with fraud, a lot of the companies we are looking at are fake and that is our biggest issue. Even if they are setting up false companies and putting in notification to the PSC register it is not something you can rely on as true”*

#### **Law Enforcement Organisation**

Although some Law Enforcement Organisations did not regularly use the PSC register to inform investigations due to concerns about data quality, a few commented that the presence of non-compliant information was nonetheless useful intelligence.

*“There’s value for us if someone has put in a false declaration. That serves us just as well as someone who was put in a true one”*

#### **Law Enforcement Organisation**

*“It would allow us to identify if a company could be bogus and may not be as it seems, and it assists to prove that fraud has been committed”*

#### **Law Enforcement Organisation**

### **Financial Institutions**

Many Financial Institutions reported that the PSC register initially had a negative effect on their work. This is because, when it was first introduced, the process of collecting and submitting information to the PSC register on behalf of clients was felt to be overly time-consuming. However, most felt that this issue had dissipated as their clients are now compliant with the regulations.

*“I would say for the whole of that first year, 2016/2017, it added quite significant amounts of time to a lot of clients because it was quite difficult to verify that information and to get actual documentation of it”*

**Financial Institution**

*“I would say it has made our work more complex; more difficult for our clients and ourselves ... the work we have had to do [to register a company] and take on a client is extraordinary. It has taken us days to do the work and part of that is to make sure we can properly populate the PSC register. It is ever such a lot of work and difficult to get clients to pay for that.”*

**Financial Institution**

Views on the effects of the PSC register after the initial bedding-in period were mixed. Some Financial Institutions said that the PSC register has had a positive effect on their work by making the task of obtaining information necessary for client verification and due diligence checks more efficient.

*‘it is easier to find out who are the people behind the particular company as opposed to who holds the legal title, so that actually is a benefit.’*

**Financial Institution**

On the other hand, some Financial Institutions felt that the introduction of the PSC register has had little or no effect on their work. This is because, despite using the register to conduct client due diligence checks, these Financial Institutions did not have enough confidence in the quality of the information to consider it a reliable source of information about beneficial ownership. This lack of confidence originated from experiences of encountering incorrect or outdated information on the register and meant that they continued to use other information sources (e.g. commercial databases). Consequently, there was thought to be no difference made to the work involved in conducting client due diligence checks.

*“I would say it’s not 100% reliable; people don’t always file information using the correct code criteria that qualify their PSCs. They don’t necessarily understand the rules about companies which are subsidiaries of other companies and what information they need to file about the parent companies. And there’s no real verification process.”*

**Financial Institution**

*“There are cases where the PSC register has been either negligently or fraudulently completed with the name of a nominee or with a foreign company listed as a relevant legal entity which it is not allowed to be”*

**Financial Institution**

## **Civil Society Organisations**

All Civil Society Organisations felt that the introduction of the PSC register has had a positive effect on their work. This is primarily because, prior its introduction, most Civil Society Organisations were required to piece together information from past filings with Companies

House and through primary research. The centralised, open nature of the register has therefore made the process of investigating individuals, corporate entities and corporate networks cheaper and more efficient.

*“We’ve saved both time and, through that, also costs. It’s essential that background checking a company or an individual is as quick as possible because then we get to do more of them and save costs in the process.”*

**Civil Society Organisation**

*“It’s probably made things easier in terms of people’s time; to simply look up a company and it to be quite straightforward.”*

**Civil Society Organisation**

The PSC register has also affected the activities of some Civil Society Organisations by creating a new field of work; macro analysis of the quality and coverage of the information held to identify issues with the method of data collection and ways in which the PSC register can be misused by businesses so that improvements can be recommended to Companies House.

Some Civil Society Organisations said that the PSC register had proven to be valuable to their lobbying work. The register is used by these Civil Society Organisations as a case study when advocating the creation of similar registers in other jurisdictions. It was explained how the register demonstrates that open databases of beneficial ownership can be created.

*“The UK PSC register, particularly the open data nature of it, is really crucial for making the argument in other jurisdictions”*

**Civil Society Organisation**

## **Investment Associations and Business Organisations**

Having not had a great deal of interaction with the PSC register, this group of stakeholders reported no direct impact on their work. Regarding their members, it was generally felt to have had a negligible effect.

## **Views on the wider impacts of the PSC register**

### **Law Enforcement**

Most Law Enforcement Organisations felt that the introduction of the PSC register had helped to improve corporate transparency in the UK economy. However, this group of stakeholders cited knowledge of non-compliant behaviour and inaccurate information. As such, many held the opinion that the register was limited in its ability to provide complete transparency if the information submitted continues to go unchecked.

*“I think it is improving transparency and it is enabling the general public to actually scrutinise a company in greater detail and to be able to hold to account individuals.”*

**Law Enforcement Organisation**

Most Law Enforcement Organisations did not think that the PSC register has had any impact on crime prevention. It was felt that individuals’ intent on committing crime would find ways

around the system. For example, conceal their identity by enlisting the services of a proxy, listing corporate entities as PSCs or simply claiming that the business has no PSCs.

## **Financial Institutions**

Most Financial Institutions thought that the introduction of the PSC register had improved corporate transparency in the UK economy. However, like Law Enforcement Organisations, it was often thought to have only made a slight difference due to the register holding some inaccurate information.

A couple of Financial Institutions that felt the PSC register had improved corporate transparency said that this was advantageous as it would likely lead to greater investment in UK.

*“If you're operating in a jurisdiction where you see structures and processes in place that improve transparency around ownership that has to be attractive if you are a legitimate company or organisation... it can only be a benefit would be my view in attracting people in much the same way as a stable body of law. When you're looking at places to invest, a low corruption score is a great benefit.”*

**Financial Institution**

## **Civil Society Organisations**

All Civil Society Organisations felt that the introduction of the PSC register has had a big impact on improving corporate transparency in the UK economy. Moreover, some mentioned that it was playing a part in improving corporate transparency in other jurisdictions as it was used as a case study to advocate the creation of similar registers.

*“Has improved it greatly and has created a precedent internationally to try and show the way”*

**Civil Society Organisation**

*“Overall I would say it is hugely important in increasing corporate transparency in the UK.... There is a lot of information on it and it easily accessible, so I would say it's the biggest step forward from our perspective in corporate transparency in the past decade, so we think it is hugely positive.”*

**Civil Society Organisation**

Although Civil Society Organisations felt that the introduction of the PSC register has had a big impact on improving corporate transparency, there was a consensus that there was still more to be done. Specifically, it was suggested that the quality and coverage of information on the register needs to be improved by verification checks and by enforcing compliance.

*“There is still a long way to go before we have reached a state where we have the level of corporate transparency we need to build a strong and trusted business environment ... I think it ties back to verification – knowing that the nationality or DOB isn't made up”*

**Civil Society Organisation**

## Investment Associations and Business Organisations

Some Investment Associations and Business Organisations were unable to comment on whether the introduction of the PSC register has improved corporate transparency. This is perhaps unsurprising given that many had minimal engagement with the register.

However, a couple of stakeholders in this group did think that the PSC register had improved corporate transparency and – although they didn't have any evidence yet – suspected that it would result in improved business confidence.

*“It is our expectation that over time it might be a small element in increasing a bit of trust in business relationships... so it was our expectation that this would be another brick in the wall of increasing transparency and maybe reducing some of these incidences of cowboy businesses, and you would get a general uplift in confidence.”*

### Business Organisation

#### How the PSC register could be improved

Across all groups of stakeholders', two key ways in which the PSC register could be improved were identified: improving the quality of the information held on the register and introducing a unique ID for individuals listed on the register.

In terms of the improving the quality of the information, many stakeholders discussed how they had encountered or heard of incorrect or non-compliant information on the PSC register. This was an issue for stakeholders because it limited the usefulness of the resource when using it in their field of work.

*“[The PSC register would be better] if the information was more accurate; how you go about ensuring that I don't know but its usefulness is currently limited by the fact that the information on it can't be relied on.”*

### Financial Institution

*“Members have said they would like data quality to be verified by Companies House like it has to be for other trust company service providers and company formation agents and so on...If that happened, we would be more confident in relying upon it as corroborative evidence.”*

### Investment Association

To improve the quality of the information held on the PSC register, many stakeholders suggested that Companies House introduce both validation and verification processes for information submitted. The former would involve the introduction of checks at the point information is submitted to the register (e.g. logic checks the date of birth), while the latter would involve introduction of checks to verify the information submitted (e.g. checking that the individual is a PSC and checking their personal information is correct). Stakeholders felt that the combination of these two processes would significantly improve the quality of the information held on the PSC register and so make the register more useful.

*”There is lack of validation around data, for example, date of birth - people are born in the future. There used to be people on there that were aged 500 years*

*old, but they have put a limit on that now. Although there are still issues around babies being beneficial owners”*

**Civil Society Organisation**

*“Essentially what we need is verification of all the information on there ... ensuring every company and individual on there who is an officer or a PSC has submitted passport ID or driving license so they can be cross-referenced against databases”*

**Civil Society Organisation**

Another key way in which stakeholders thought the PSC register could be improved was through the introduction of a unique ID for individuals listed on the register. Stakeholders told us that this would be a valuable addition to the register as it would enable them to quickly identify all the businesses that an individual is listed as a PSC for. There is currently no way of doing this on the register. Instead users of the register are required to search for a business name. Therefore, a stakeholder may be aware that an individual is listed as a PSC for Company A but would not be able to determine that the same individual is the PSC of Company B from the register alone.

*“There is no unique identifier for individuals which means if you have John Smith how do you know he is not the same John Smith on the PSC over here”*

**Civil Society Organisation**

*“If you look up a company officer, you could see every company that they are a director or secretary of. If you could do the same with the PSC register, cross-reference all the companies that someone is a PSC of; that would be useful. There’s no way of doing that at the moment”*

**Financial Institution**

*“People are seen to be an attribute of a company and the net result is that someone can be a beneficial owner of 100 different companies, but these are not linked together under an individual - there will be 100 different entries”*

**Civil Society Organisation**



# The Protection Regime

*This chapter looks at the part of the PSC regulations known as the Protection Regime. It explains the purpose of the Protection Regime and how it is managed by Companies House. The information presented in this chapter was gathered from desk research and in-depth interviews with staff at Companies House.*

When a business submits information to the PSC register, most of it is made publicly available. The only information that is not available to the public is residential address and the day of the PSC's birth. This information is, however, available to credit reference agencies (CRAs) and specified public authorities (SPAs).

In exceptional circumstances, where, due to the activities of the business, individuals are at serious risk of violence or intimidation if their details were made publicly available, they can apply for their information to be protected from public disclosure.<sup>17</sup>

## The categories of protection

PSCs may apply for two categories of protection:

1. PSCs may apply to restrict CRAs' access to their usual residential address; and
2. PSCs may apply to restrict CRAs and the public from accessing any information about them.<sup>18</sup> Their information is still available to SPAs.

This protection must be applied for and must meet certain statutory criteria to be awarded.

## The criteria for protection

For PSCs to apply for their residential address to be protected or for all their information to be protected, the applicant must be able to demonstrate that the activities of their business would put them at risk of violence or intimidation.<sup>19</sup> For the latter category of protection, PSC's personal characteristics may also be considered in combination with the business activities. Companies House provided an example of this:

*“An example might be where the activities of the company are not particularly risky, but in relation to one of the PSCs, due to their personal attributes, it could be risky or controversial for that person to be involved in the activities of that company. For example, if you have a brewery where they make alcohol, and the owner is a Muslim. That's a case where the personal attribute may cause harm.”*

**Team manager, Companies House**

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<sup>17</sup> [Restricting the disclosure of your information \(Companies House, 2018\)](#)

<sup>18</sup> [Restricting the disclosure of your information \(Companies House, 2018\)](#)

<sup>19</sup> [Guidance for people with significant control over companies, societates europaeae, limited liability partnerships and eligible Scottish partnerships \(Department for Business, Energy and Industrial Strategy, 2017\)](#)

Other examples include those involved in the military, the defence industry and animal testing. There is not a definitive list of circumstances where protection will be granted. Applications are treated on a case-by-case basis.

## The application process

There are four types of application that can be made for the two levels of protection available.<sup>20</sup> These are detailed in Table 5.1.

**Table 5.1: Types of application for protection**

Type of Application	Evidence Required	Information Restricted
<b>Abbreviated – where individuals have been granted protection of their residential address in their other capacity (e.g. director)</b>	None – evidence previously submitted	Usual residential address restricted from access by CRAs
<b>Application for protection of residential address</b>	Related to business activity	Usual residential address restricted from access by CRAs
<b>Application for protection of all information</b>	Related to business activity or personal attribute associated with business activity	All information restricted from access by CRAs and public
<b>Combined (applications for all information to be protected, and residential address only)</b>	Related to business activity or personal attribute associated with business activity	All information restricted from access by CRAs and public

If an individual’s residential address is already protected from disclosure to CRAs in their capacity as a director, they can make an abbreviated application for protection of information in their capacity as a PSC. With this type of application, no evidence is required because evidence of risk has already been submitted to Companies House.

If an individual does not already have their residential address protected from disclosure to CRAs they are required to submit a full application with evidence that supports their claim that the activities of their business would put them at risk of violence or intimidation.

If an individual wants to apply for all their information to be protected from disclosure to CRAs and the public, they are required to submit a full application with evidence that supports their claim that the activities of their business alone would put them at risk of violence or intimidation or that the activities of their businesses in combination with personal characteristics would put them at risk of violence or intimidation.

<sup>20</sup> [Restricting the disclosure of your information \(Companies House, 2018\)](#)

## Applications to date

Applications for the PSC Protection Regime could be made from April 2016. Table 5.2 presents the number of applications received by Companies House for the two different categories of protection and their status as of January 7th, 2019.

**Table 5.2: Applications for protection received by Companies House April 2016 – January 2019**

Application Status	Application for protection of residential address		Application for protection of all information		TOTAL	
	Number	Percentage	Number	Percentage	Number	Percentage
<b>Total number of applications</b>	456		447		903	
<b>Successful applications</b>	402	88%	72	16%	474	52%
<b>Rejected</b> (e.g. error in application, insufficient payment, insufficient evidence)	15	3%	33	7%	48	5%
<b>Refused</b> (e.g. did not meet relevant criteria)	4	1%	162	36%	166	18%
<b>Awaiting Decision</b>	35	8%	180	40%	215	24%

Source: Information provided by Companies House.

There was an even split between the number of applications for protection of residential address and the number of applications for protection of all information (50% respectively).

Nearly nine tenths (88%) of the applications made for protection of residential address had been successful. Of the remainder, eight percent were awaiting decision, three percent had been rejected and one percent had been refused. Of the applications made for protection of all information, only 16% had been successful. Two fifths (40%) were awaiting decision, a third (36%) were refused and seven percent were rejected.

## Sharing information protected under the Protection Regime

Specified public authorities (SPAs) may request access to information that is suppressed under the Protection Regime. As of January 2019, Companies House had not received any applications from SPAs for protected PSC information. Companies House staff felt that there is a lack of awareness amongst SPAs that suppressed information could be shared.

Although Companies House has not received any applications for information suppressed under the Protection Regime, there is a process in place to do so. Firstly, the organisation making the request would have to register with Companies House. They would have to provide evidence to verify who they are and be cross-referenced with the list of specified public authorities. They would then pay an administration fee, before receiving the requested information via secure email.

## Areas for Improvement

As part of this study, Companies House staff were asked their views on whether the Protection Regime was fulfilling its purpose. While their overall message was positive, they reported that some individuals would argue for a broadening of the legislation to cover a wider range of risks.

An example was provided of a situation where a PSC was being stalked and wanted to restrict access to their information on the PSC register but were unable to because it was unrelated to the activities of their business.

It was also suggested that the application process could be made more efficient through digitalisation. The application process is currently paper-based; forms are posted between the applicant, Companies House and Law Enforcement Organisations. It was also mentioned that it can occasionally be difficult to interpret handwritten applications and pieces of evidence.

## Conclusions

Overall, the businesses that participated in this research demonstrated a high level of engagement with the requirements of the PSC register. Most (77%) had submitted information around the time the PSC register was introduced or before June 2017 (when they were required to submit this information as part of their first confirmation statement) and more than half (56%) had checked that the information they had originally submitted was still correct. Furthermore, amongst the minority of businesses that had experienced a change to their PSCs since their initial submission, nearly all (94%) had reported this to Companies House.

The financial cost of complying with the PSC register regulations on a per business basis was relatively small. The mean overall cost was £287, and the median overall cost was £125. The main source of financial cost to businesses was the initial submission of PSC information; the mean cost of this process was £259, while the median cost was £115. After the initial submission of the PSC information, the financial cost of maintaining information held on the register was low; the mean cost of this task was £29, and the median cost was just £2.

Only a minority (22%) had used the PSC register to look up information about other businesses. Of these businesses two thirds found the information sourced to be useful (64%) and around a third found it to be very useful (29%). Although the information held on the PSC register had only been used by a minority of businesses, it had been widely used by stakeholder organisations. All Law Enforcement Organisations, Financial Institutions and Civil Society Organisations that were interviewed reported using the PSC register in their field of work.

Stakeholders generally considered the PSC register to be a useful resource as it had made the process of obtaining information on beneficial ownership more efficient. Furthermore, most stakeholder organisations felt that the introduction of the PSC register had improved corporate transparency in the UK. Moreover, some Civil Society Organisations mentioned that it was playing a part in improving corporate transparency in other jurisdictions as it was used as a case study to advocate the creation of similar registers.

Some of the Financial Institutions, Business Organisations and Investment Associations that felt the PSC register had improved corporate transparency said that this was economically advantageous as it would likely result in improved business confidence and lead to greater investment in UK.

Although most stakeholder organisations felt that the introduction of the PSC register had improved corporate transparency in the UK, many Law Enforcement Organisations and Financial Institutions thought that there was still a lot more to be done because the PSC register was thought to hold some inaccurate information. For this reason, some Law Enforcement Organisations and Financial Institutions did not think the register had affected their work because they did not feel as though they could rely solely on the PSC register as a source of information about beneficial ownership. To improve the quality of information many stakeholders recommended that Companies House introduce validation and verification processes.

Between April 2016 and January 2019, Companies House received 903 applications for information about PSCs to be protected from either the public PSC register, or for some of their details (residential addresses) to be protected from Credit Referencing Agencies. There was

an even split between the number of applications for protection of residential address and the number of applications for protection of all information (50% respectively).

Companies House staff generally felt that the Protection Regime was fulfilling its purpose. However, they did identify some areas for improvement. Firstly, it was felt that the application process, which is currently paper based, could be made more efficient through digitalisation. Secondly, it was commented that some applicants for the protection regime would argue for a broadening of scope of the legislation to cover risks that are not directly associated with the activities of a business.

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