

ANNUAL REPORT BY THE INDEPENDENT ADJUDICATORS TO COMPANIES HOUSE

1st April 2018 - 31st March 2019

TABLE OF CONTENTS

1. INTRODUCTION.....3

2. APPEALS

NUMBER OF CASES AND TYPE OF COMPANY.....3

REFERRALS TO THE REGISTRAR.....5

UPHELD APPEALS.....5

OTHER OBSERVATIONS AND RECOMMENDATIONS.....8

3. COMPLAINTS.....9

4. CONCLUSION.....11

APPENDIX A..... 12

SUMMARY OF RECOMMENDATIONS

APPENDIX B.....13

OUTSTANDING RECOMMENDATIONS AND OBSERVATIONS FROM 2017/18

APPENDIX C.....14

OUTSTANDING RECOMMENDATIONS AND OBSERVATIONS FROM 2015/2016

LIST OF TABLES

TABLE 1 NUMBER OF APPEALS.....3

TABLE 2 REFERRALS TO THE REGISTRAR5

ANNUAL REPORT BY THE INDEPENDENT ADJUDICATORS TO COMPANIES HOUSE (1st April 2018 - 31st March 2019)

1. INTRODUCTION

- 1.1 Companies House has three Independent Adjudicators: Dame Elizabeth Neville, Mr Leslie Cuthbert and Mrs Jessica Pacey. Our principal role is to deal with appeals against late filing penalties imposed on companies and limited liability partnerships which have filed their accounts after the filing deadline, if they wish to pursue their appeal having passed through the first two stages of the appeals process which are internal to Companies House. If an appeal is not upheld by an Independent Adjudicator, the appellant may appeal to the Registrar who is the final arbiter in the appeals process.
- 1.2 The Independent Adjudicators also consider complaints made against Companies House. Again, there are two internal stages for consideration of a complaint. If the complainant is dissatisfied with the outcome of the internal consideration of the complaint, he or she may ask for the matter to be referred to an Independent Adjudicator. A complainant who remains dissatisfied after consideration of their case by an Independent Adjudicator may approach a Member of Parliament and ask for the matter to be referred to the Parliamentary and Health Service Ombudsman.
- 1.3 As our title indicates, we are entirely independent of Companies House. We each have our own professional lives and what we have in common is the fact that we are appointed to consider appeals and complaints at the third stage of the process. A brief outline of our professional profiles may be found on the Companies House website by following this link: <https://www.gov.uk/government/publications/independent-adjudicators/independent-adjudicators>. Our cases, whether appeals against late filing penalties or complaints, are allocated by rotation to ensure their random distribution. We do not give out our personal postal or email addresses. We use the Companies House address for postal communications which are forwarded to us and we each have a Companies House email address.
- 1.4 We have made seven recommendations which are set out in Appendix A. Action has already been initiated on some of them. A few of our recommendations, all of which were agreed, from 2017-2018 (Appendix B) have not been fully implemented and, disappointingly, one from 2015-2016 (Appendix C) is still outstanding.

2. APPEALS

NUMBERS OF CASES AND TYPES OF COMPANY

- 2.1 Companies House imposed 219,295 late filing penalties between 1st April 2018 and 31st March 2019. Appeals were made in 34,111 cases, of which 4,078 (12%) were upheld at the first or second stage of the appeal process. 337 appeals were referred to the Independent Adjudicators, a noticeable increase since last year and 0.98% of the total appeals received. (See Table 1.)

TABLE 1 NUMBER OF APPEALS CONSIDERED BY INDEPENDENT ADJUDICATORS

	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
TOTAL	325	467	583	466	391	305	306	329	267	337

- 2.2 We have been expressing our concern to Companies House for some time about the number of appeals which we receive from newly incorporated companies and from dormant companies. A number of companies are both new and dormant, because some companies do not trade in their first year. The pattern which we see simply reflects the appeals seen by Companies House at the first and second stage, where appeals from dormant companies (over 36% of the total number of appeals) are more than twice as high as the proportion of the total number of dormant accounts filed (about 17%).
- 2.3 The Independent Adjudicators considered appeals from 94 non trading companies (28% of the appeals we considered). The requirement for a company to file accounts even if it is not trading appears in the second paragraph of the reminder letter sent by post, with the title in bold '**Must the company deliver accounts this year?**'. In December 2018, Companies House implemented the recommendation which we made last year for the email reminder also to show that dormant companies must file accounts, information which was previously absent. It is to be hoped that this will make a difference.
- 2.4 Directors frequently assume that the requirements of HMRC (Her Majesty's Revenue and Customs) and of Companies House are the same. HMRC does not generally require dormant companies to file accounts and this sometimes causes confusion where directors mistakenly assume that it is not necessary to file accounts at Companies House either.
- 2.5 Sixty-nine (20%) of the appeals we received related to a company's first accounts, a similar percentage to last year. Companies House sent all first time directors a 'First Directors Letter' from 1st October 2013. In October 2015, this was replaced by a letter to all newly appointed directors whether they have previously been directors or not ('The New Director Letter'). The letter advises that companies must file accounts every year. An improved version of the letter was issued in June 2016. Every new director will have received the New Director Letter from June 2017. It does not seem that the New Director Letter has had any noticeable impact on increasing the rate of timely filing of new companies' first accounts.
- 2.6 We are of the opinion that more needs to be done if compliance levels for both dormant and new companies are to improve. **We recommend that Companies House considers what more might be done to obtain better compliance from companies filing their first accounts and from dormant companies.** For instance, a red warning flag could be placed on reminder letters and emails sent to companies filing their first accounts or which filed dormant accounts in the previous year.

REFERRALS TO THE REGISTRAR

- 2.7 The fourth and final stage of the appeals process is an appeal to the Registrar. In 143 (42%) of the appeals considered by the Independent Adjudicators, a further appeal was made to the Registrar, a very large increase on last year and the highest percentage of appeals to the Independent Adjudicators in the last ten years. (See Table 2 overleaf.) The Registrar upheld three appeals.
- 2.8 We do not know why the numbers have increased so much. In most cases, the appeal to the Registrar simply repeats the content of the prior appeals, without any new information. Presumably, the appellants think it worthwhile to continue their appeal, in the hope that a different view will be taken, even though the very limited scope for the Registrar to exercise her discretion not to collect a penalty has invariably been explained. Later in this report, we give our views on how the nature of the Registrar's discretion might be explained more clearly (paras 2.34-2.36). We also discuss the large number of appellants who appeal on the grounds of ill health and who may pursue their appeals through all the stages of the process because they feel they have not been fairly treated (paras 2.13-2.20). Not uncommonly, appellants refer to the greater latitude by HMRC in deciding not to collect a penalty, particularly when they have

appealed successfully to HMRC but been turned down on the same grounds by Companies House.

TABLE 2 REFERRALS TO THE REGISTRAR

	Number of Cases Escalated to Registrar	% of Total Cases Dealt with by Adjudicators
2007/8	22	37
2008/9	27	23
2009/10	68	20
2010/11	109	22
2011/12	120	21
2012/13	112	24
2013/14	85	21
2014/15	68	22
2015/16	62	20
2016/17	64	16
2017/18	86	32
2018/19	140	42

- 2.9 The Registrar upheld an appeal where further information was disclosed by the sole director’s difficult personal circumstances where she was the victim of an abusive relationship at the time of the filing deadline.
- 2.10 In a second case, accounts had been filed late in three successive years due to issues with an overseas subsidiary. In its appeal to the Registrar, the company pointed out that a question asked early in the correspondence about how the accounts might be filed had not been answered and that Companies House staff could have advised the company proactively about the options for filing accounts on time.
- 2.11 The Registrar upheld an appeal by a charity which was unable to file its accounts electronically. This is because the front page of the HMRC/Companies House joint filing service says that it may be used for charity accounts when this is not the case, although this is clarified on a later screen. Companies House is taking steps to change this misleading information.

UPHELD APPEALS

- 2.12 We upheld or partially upheld eighteen (5.3%) appeals, twice as many as last year. Most of the increase is accounted for by the higher number of appeals allowed on the grounds of death, incapacity and ill health.

**Exceptional Circumstances: Death, Incapacity or Health Grounds
10 Appeals Upheld**

- 2.13 We received 150 (44.5%) appeals based wholly or in part on the grounds of exceptional circumstances. This is an increase on the previous year when we received 101 or 37.8% and was, by a long way, the largest category of grounds for appeal. About half of these appeals were on the basis that a director, usually the sole director, was suffering from a serious illness, either physical or mental.
- 2.14 Ten of the 18 appeals which we upheld were on the grounds of the ill health or death of a director. In two cases the director(s) had died and it had taken some time for the successors to produce accounts.

- 2.15 In three other cases, the directors had become incapable of managing their affairs due to mental incapacity and, in one case, a devastating stroke. It had been necessary to take steps to allow third parties to take over the company affairs, either by obtaining a power of attorney, an appointment by the Court of Protection or the director's solicitors stepping in. In all cases, this took time, and it was only then that the company affairs could be brought up to date.
- 2.16 The Adjudicators considered that these five cases of death and incapacity were exceptional, that there was nothing which could have done to file the accounts on time, and that the penalties should therefore not be collected.
- 2.17 In another case in the health category upheld by the Adjudicators, both directors, who were husband and wife, were suffering from chronic illnesses and an appeal against a late filing penalty would not usually have been upheld. However, one of the directors unexpectedly suffered from a severe and dramatic escalation of her condition shortly before the filing deadline which had a devastating impact on her husband.
- 2.18 The Companies House position is generally that if a director has become ill more than a very short time before a filing deadline, he or she has an opportunity to make some arrangement to ensure the accounts are filed on time or to apply for an extension to the filing deadline. However, in four cases, the director had become ill or was injured before the reminder to file the accounts was sent which was about a month before the filing deadline. The directors had all been continuously unwell until after the deadline, in one case suffering mentally following an assault. In all four cases, the nature and severity of the ill health was such that it was not possible for the director either to make arrangements to file the accounts or to seek an extension to the deadline.
- 2.19 Situations arise where an illness, or injury, or a diagnosis of a life-threatening illness well before the filing deadline causes a director to suffer from severe and incapacitating anxiety which prevents them from filing the accounts on time. We also considered appeals from directors suffering from debilitating mental illnesses. The onset of a mental illness is not usually sudden and can often not be pinpointed to a moment in time, unlike a car crash or a stroke. Sufferers may be unaware of how ill they are for some time. Thus the general requirement of Companies House that an illness or injury must have occurred shortly before the filing deadline before an appeal can be allowed, may be inappropriate in such cases.
- 2.20 The Adjudicators have been in discussion with Companies House on these issues. We agree that generally where directors suffer from chronic or long term health problems, this will not be a reason for not collecting a penalty. Companies House has agreed to **review its approach to appeals in cases of death, physical and mental incapacity and mental illness in determining what amounts to an exceptional circumstance which would make it unreasonable to expect that the accounts should have been filed on time.** Companies House is approaching other organisations to learn from their approaches to dealing with customers suffering from mental illness. We recognise that appeals on the grounds of physical and mental illness may be subject to abuse and think it reasonable for Companies House to ask for medical evidence or other verification of what has been asserted.

Companies House Contributed to the Delay in Filing Six Appeals Upheld

- 2.21 We upheld six cases where Companies House contributed in some way to the late filing of the accounts.
- 2.22 In the first case, a representative of the company telephoned Companies House to ask whether the company's accounting reference date (ARD) could be extended by eight months and was wrongly told that it could, whereas it can only be extended by six months. When the ARD is extended, the filing deadline is similarly extended. A form was submitted electronically to extend

the deadline and was rejected, leaving the imminent filing deadline unchanged. The company was unaware of this, having received confirmation of successful submission of the form and having overlooked the rejection email, as it was confident that the ARD would be extended, given the advice provided. The title of the email rejecting an application to extend the ARD is uninformative, unlike other emails which specify their topic, and so can be easily missed. **This was the subject of a recommendation in 2014/15 which, disappointingly, although accepted, has not been acted upon. (See Appendix C.)** We fail to understand why this change, which brings this type of email into line with other similar types of emails, has not been implemented. Although there was a lack of care by the company, the appeal was upheld because Companies House had provided incorrect advice.

- 2.23 In another case, accounts were delivered by hand to the London office of Companies House. The Companies House record showed that they were delivered two days after the filing deadline but evidence was provided to the Adjudicators showing that the accounts were actually delivered a day before the deadline. The Adjudicator upheld the appeal against the penalty and recommended that a date credit be applied to the company's record. Companies House gave advice to the staff at their London office.
- 2.24 A company had filed accounts with an incorrect company name on three successive years. On the fourth year, the accounts were rejected. When amended accounts were returned, a late filing penalty was imposed on the company. The appeal was upheld because the error had not previously been drawn to the company's attention.
- 2.25 A company was unable to file its accounts electronically on the day of the deadline and received an error message to this effect. The day after the filing deadline the company contacted Companies House. Companies House accepted that there had been a fault on the system but believed that the attempt to file the accounts had been made on the day after the deadline. The Adjudicator was satisfied that the attempt to file the accounts had been made on the day of the deadline and upheld the appeal.
- 2.26 Two upheld appeals related to a company not having the authentication code and, therefore, not being able to file the accounts electronically. In one case, the accounts were already late. The company was not advised when it first enquired that the accounts could be filed in paper form, nor was it told that the penalty was about to rise to the next penalty band. It was told on the day before the penalty was due to increase from £150 to £375 that the accounts could be filed in paper form but not that the increase was imminent. The penalty did rise to the next band while the authentication code was awaited.
- 2.27 In the second of these two cases, the director did not have the authentication code. He tried to telephone the Companies House Contact Centre on the day of the filing deadline but could not get through. If he could have got through, he could have been advised that he could deliver the accounts in paper form by hand to the London office, as he was London based. As he could not get through, that opportunity was lost.
- 2.28 Other appellants tell us that they cannot get through to the Contact Centre and it is the subject of one complaint. When the lines to the Companies House Contact Centre are very busy, callers receive a voice message advising them to call back later and are then cut off. This does not address the problem of not being able to get through. Formerly, Companies House prided itself on the quality and accessibility of its Contact Centre. We are told that there have been problems with the Contact Centre being short staffed. **We recommend that Companies House takes appropriate steps to improve access for callers.** We are advised the Companies House now has a separate team dealing with dissolution queries which has freed up other call handlers.
- 2.29 As the issue has been apparent in a number of appeals which we have not upheld, **we recommended that advice be given to Contact Centre and Compliance staff to inform callers who are struggling with WebFiling that accounts can be filed in paper form and**

also to tell them if the deadline is imminent or, where accounts are already overdue, when the liability to a penalty is about to rise to the next penalty band. Feedback has been provided to managers in the relevant teams.

Other Upheld Appeals Two Appeals Upheld

- 2.30 In one case, the accounts for five companies had been seized by HMRC and three years' worth of accounts had been filed late. Whilst HMRC will normally release copies of what is required for account preparation, on this occasion they were prohibited from doing so. The Adjudicator was provided with further evidence confirming the period for which the documents had been withheld, and the appeal was partially upheld. The appeal was rejected for the periods postdating the documentation seized by HMRC.
- 2.31 The appeal was also upheld in a case where the company's trusted accountant of many years became ill and died. The director of the company was unaware of this as the accountant was located a considerable distance away and had assured him, shortly before the filing deadline, that all was well.

OTHER OBSERVATIONS AND RECOMMENDATIONS

- 2.32 We made observations and recommendations in other cases where we did not uphold the appeal. We commented favourably last year about the quality of the responses by Companies House to appeals. Although most customers receive good quality replies, we have some less complimentary observations this year about some replies to appeals. This also applies to replies from the Compliance Team when help or advice is being sought prior to filing the accounts, where we have seen some less than helpful responses.
- 2.33 Although the overall standard of responses is good, some replies to appeals are formulaic, using a series of cut and pasted paragraphs. Sometimes an appellant will mention something without it being a ground for appeal, and relevant paragraphs will appear unnecessarily in the response. Paragraphs may be included which are irrelevant to the appeal. The actual grounds for appeal may not receive a tailored response, but a more or less appropriate paragraph may be inserted. The actual grounds for appeal may not be properly addressed at all. These practices lead to recipients feeling that their appeal has not been given proper consideration. We received a number of complaints to this effect. (See paras 3.8 - 3.10.) When we identify a particularly poor response, we draw it to the attention of the Senior Casework Unit, so that the author may be given guidance.
- 2.34 Responses to appeals frequently contain a paragraph explaining the limited nature of the Registrar's discretion to collect a penalty and include a sentence to the effect that the Registrar cannot decide not to collect a penalty simply on the basis that it would be fair and equitable to do so. This is not a sentence which is meaningful to the lay reader; indeed it is counter-intuitive. It derives from the Judicial Review case of (1) POW Trust Limited and (2) Al's Bar and Restaurant Limited v Chief Executive and Registrar of Companies and the Secretary of State for Trade and Industry (2002). In paragraph 14 of his judgment, The Honourable Mr Justice Lightman considered the issue of the Registrar's discretion and specifically addressed Section 453(3) of the Companies Act 2006 which is the section on the liability of a company to a civil penalty if accounts are not filed on time, although at the time of the judgment, the relevant section was section 242A(3) of the Companies Act 1985.
- 2.35 Paragraph 14 is quoted in full below.
'I turn to the ambit of the Discretion. Section 242 A(3) by the use of the word "may", as opposed to "shall", implicitly confers upon the Registry a discretion whether to recover the penalties. The

legislature plainly saw it would be absurd to impose on the Registry an obligation to take steps to recover the penalty in every case, irrespective e.g. of the relative cost of doing so and the likely return. Looking at the scheme of the legislation and the language and role of the Registrar in the statutory scheme, the ambit of the discretion is clearly intended to be limited. There can be no intention that the Registrar is to have a general dispensing power excusing from recovery of penalties whenever he considers it just to do so. The exercise must be uniform and consistent. The ambit of the Discretion must be elicited from the purpose and policy of Section 242A and of the 1985 Act as a whole. The principle implicit in the section, as it seems to me, is that the Registrar should in every ordinary case (so far as his resources allow) seek to recover the penalty, but (as very much an exception to the general rule) he may not decide to do so in those exceptional circumstance where in his considered judgement he considers that such a decision is conducive to achieving (1) the broad object of the legislation of timely compliance with Section 242(1) or (2) the specific task entrusted by Section 242A (3) to the Registrar, namely the economic and efficient application and management of resources available for the recovery of penalties.'

2.36 **We recommend that Companies House improves the quality of its responses both to appeals and from the Compliance section and specifically that it develops a clearer way to explain the limited discretion of the Registrar not to collect a penalty.** We have been told by Companies House that work is under way to improve both the contents of standard letters and the quality of individual letters to ensure that they are relevant and use language which is accessible and meaningful to the non-professional filer.

2.37 In one case, it was observed that a number of letters to the director of the company did not bear a postcode. These letters were sent by Compliance before the accounts were filed, including the letter granting an extension to the deadline, and also from staff considering the appeal. In this case, there was no reason to suppose that the letters were not received. We are told that the absence of the post code is because the address box on the letter template only allows six lines for an address and that when the address field is automatically populated, if the address is long, the seventh and subsequent lines will not appear. Staff have been reminded to check to ensure that the post code is included.

3. COMPLAINTS

3.1 Two complaints were referred to us at the third stage of the complaints process, one of which was partially upheld. Thirteen appeals contained a total of sixteen complaints. The two complaints are summarised below.

Complaint 1

3.2 This complaint related to the dissolution of a company by Companies House and a number of further complaints were made about the level of service provided and the way in which the complainant's complaint was handled.

3.3 The complainant had lodged an objection with Companies House to the dissolution of a company with which he was in dispute over building works which it had undertaken. Companies House failed to deal with the objection and the company was dissolved. Companies House offered to pay the complainant's costs to obtain a court order to restore the company but the complainant wanted Companies House to pay for remedial works to his property. The Adjudicator agreed with Companies House that the dissolution of the company had not given rise to the costs of making good the building works but had the effect of preventing legal action against the company over the dispute. The Adjudicator agreed that the correct approach was for Companies House to meet reasonable legal costs of obtaining a court order to restore the company to allow the complainant to take legal action against the company. She did not uphold this part of the complaint.

- 3.4 The Adjudicator found that some aspects of how the complainant's complaint had been handled were unsatisfactory. No acknowledgment was made of the initial complaint and it was not initially dealt with as quickly as it should have been, given its serious nature. An earlier offer to reimburse reasonable costs, instead of conditional offers, should have been made. A clearer explanation of what had gone wrong should have been provided sooner in the complaints process. Finally, a reply to the complainant's question about what had been done to prevent a recurrence should have been provided. This part of the complaint was upheld.

Complaint 2

The second complaint was that Companies House should place a 'no index tag' on a company's details on the Companies House website to prevent it being shown on Google's listing. A 'noindex' metatag can be included in a webpage's HTML code to prevent the page appearing in searches, most notably Google searches. Webpages are set to 'index' by default. Companies House has considered the option of placing a noindex tag on a company's page on its website but as a matter of policy has decided not to do so because it is believed to be contrary to the key corporate principle of a transparent register. Companies House pointed out that the complainant could apply to Google to have the Companies House webpage details about his company removed from its indexing. This complaint was not upheld. **It was recommended that Companies House considers clarifying within its Complaints Policy that the Independent Adjudicators cannot consider challenges to Companies House policy.** The Complaints procedure has now been made clearer on the Companies House website. When dealing with a complaint, Companies House now provides further guidance on what types of complaints the Independent Adjudicators will investigate.

Complaints made within Appeals

- 3.5 Sixteen complaints were made in the course of an appeal against a late filing penalty.
- 3.6 Ten of the complaints made within appeals were about how the appeal had been handled and the tone of letters including the wording of compliance letters (letters sent before the accounts were filed). Only one of these complaints was upheld.
- 3.7 Most of the complaints about the compliance letters related to the standard letter which is automatically generated and posted to a company when the filing deadline has passed without the accounts being filed. The wording of the letter is designed to ensure clarity about the consequences of late filing, and from time to time a recipient finds it objectionable. In our view the letter strikes the right balance of being courteous and business like, making the requirement to file the accounts clear and leaving the recipient in no doubt about what will happen (a) if the accounts are not filed and (b) when they are filed.
- 3.8 In the complaint which was upheld, almost nothing went right in the handling of the appeal. Incorrect statements were made in the first two responses to the appeal, even though the appellant's solicitors pointed out the error on receipt of the first response. Companies House apologised, but the solicitors did not receive the response. No reply was sent to two further emails from the appellant and his solicitor. As a result, the company received a solicitor's letter threatening legal action to recover the penalty. The Adjudicator recommended that Companies House send a letter of apology.
- 3.9 A further complaint was made that a hold had not been placed on action to collect the penalty while the appeal was considered. This resulted in action being taken by the debt management company retained by Companies House. This complaint was upheld. Last year, we recommended that Companies House takes steps to reduce the likelihood of failing to place a hold on collection action while an appeal is ongoing. The situation has improved this year, but there are still occasions where this goes wrong. **We recommend that Companies House**

renews its action to reduce the likelihood of failing to place a hold on collection action while an appeal is ongoing.

- 3.10 Two complaints were made about a lack of assistance from Companies House in relation to a director's disability. In the first case, there was no detail to support her complaint or any indication that she had been disadvantaged in her communications with Companies House and the complaint was not upheld. In the second case, the director was dyslexic but it appears that he had only recently notified Companies House, which could not have taken any measures to assist him any earlier, as they did not know about the problem.
- 3.11 A further complaint was of the different approaches to dormant companies taken by HMRC and Companies House. As we commented in paragraph 2.4, directors of dormant companies sometimes think that if they are not required to file accounts with HMRC, they are not required to file accounts at Companies House either.
- 3.12 A complaint was made that a member of staff had laughed when the director said on the telephone that the imposition of the penalty might lead him to take his life. This would be a very serious matter but it was not possible to retrieve a recording of the telephone call so the appeal was not upheld due to the absence of any corroboration.
- 3.13 An appellant had sent in the relevant form (DS01) and fee to dissolve the company, asking for it to be held and only actioned if the Independent Adjudicator rejected his appeal. Companies House sent the documents for immediate processing. When the error was identified, the complainant was advised what to do if he did not want to dissolve the company. Companies House agreed to send a letter of apology.

4. CONCLUSION

- 4.1 Companies House is usually responsive to our recommendations which are often actioned in year, although this year there are a few recommendations from last year which are outstanding or only partially complete and one outstanding recommendation from 2015-2016. Commendably, Companies House constantly strives to improve the quality of its handling of appeals and to identify and improve aspects of appeals handling which are working less well.
- 4.2 We repeat our observation of last year on the open approach of those dealing with appeals meaning that when errors are identified or pointed out, whether in appeals or complaints, they are acknowledged, apologised for and set right insofar as is possible.
- 4.3 As always, we appreciate the excellent support which we receive from The Senior Casework Unit.



Dame Elizabeth Neville DBE QPM DL

APPENDIX A

SUMMARY OF RECOMMENDATIONS 2018-2019

(The paragraph number of the relevant section in the main report is shown.)

- 2.6 We recommend that Companies House considers what more might be done to obtain better compliance from companies filing their first accounts and from dormant companies.**
- 2.20 We recommend that Companies House reviews its approach to appeals in cases of death, physical and mental incapacity and mental illness in determining what amounts to an exceptional circumstance which would make it unreasonable to expect that the accounts should have been filed on time.** Companies House has started work on this topic.
- 2.28 We recommend that Companies House takes appropriate steps to improve access for callers to its Contact Centre.**
We are advised the Companies House now has a separate team dealing with dissolution queries which has freed up other call handlers.
- 2.29 We recommend that advice is given to Contact Centre and Compliance staff to inform callers who are struggling with WebFiling that accounts can be filed in paper form and also to tell them if the deadline is imminent or, where accounts are already overdue, when the liability to a penalty is about to rise to the next penalty band.** Feedback has been provided to managers in the relevant teams.
- 2.31 We recommend that Companies House improves the quality of its responses both to appeals and from the Compliance section and specifically that it develops a clearer way to explain the limited discretion of the Registrar not to collect a penalty.** We have been told by Companies House that work is under way to improve both the contents of standard letters and the quality of individual letters to ensure that they are relevant and use language which is accessible and meaningful to the non-professional filer.
- 3.5 It is recommended that Companies House considers clarifying within its Complaints Policy that the Independent Adjudicators cannot consider challenges to Companies House policy.** The Complaints procedure has now been made clearer on the Companies House website. When dealing with a complaint, Companies House now provides further guidance on what types of complaints the Independent Adjudicators will investigate.
- 3.9 We recommend that Companies House renews its action to reduce the likelihood of failing to place a hold on collection action while an appeal is ongoing.**

APPENDIX B

OUTSTANDING RECOMMENDATIONS 2017-2018

1. **We recommended that Companies House reviews the wording of the relevant pages in WebFiling and in its guidance documents to provide clear information on the types of companies and accounts which cannot file accounts using WebFiling.**
The WebFiling front screens have now changed to make it obvious, with one exception, what types of accounts can be filed using WebFiling and the guidance document 'Company accounts guidance' provides the same information. What is missing from both the screens and the guidance is the advice that Community Interest Companies (CICs) cannot currently file their accounts electronically. The issue for CICs should be resolved in the course of this year when electronic filing will be enabled for them.
COMPLETE

2. **The Adjudicators recommend that the information on the need for company names on statutory documents to match exactly the name on the Companies House record should be made clearer on the Companies House website.** The guidance has now been updated.
COMPLETE

3. **We recommend that when guidance videos on how to file DCA and micro-entity accounts become available, users should be signposted to them, both on the website and when they call the Contact Centre.**
Guidance videos on how to file accounts were withdrawn as they were out of date and therefore incorrect. Due to lack of resource, it has not been possible to produce new versions but their value to customers is fully understood. New resources are now to be allocated to the time-consuming task of creating new videos, with the intention of rolling them out in the latter part of 2019.

4. **It was recommended that Companies House takes steps to reduce the likelihood of failing to place a hold on collection action while an appeal is ongoing.** Companies House has advised us that measures have now been put in place to ensure that holds on collection proceedings are put in place in appropriate cases. This does still occur from time to time so we have made a new recommendation. See Appendix A.

APPENDIX C

There are no outstanding recommendations from 2016-17

OUTSTANDING RECOMMENDATIONS 2015-2016

1. **The email heading for a rejected form AA01 (change of accounting reference date (ARD)) is uninformative and Companies House intends that it should be changed to bring it in line with the headings for rejected accounts which convey information about the content of the email.**

Companies House had advised that it intended to make the recommended change with the introduction of improved functionality for changing the ARD. (2014-15 recommendation). As this wider change programme now has no delivery date, Companies House is considering making this standalone change in a shorter timescale.

Disappointingly, this has not happened and the Adjudicators received a further appeal this year where the appellants had not spotted the rejection email.

2. **The Adjudicators have suggested that the New Director Letter could give more information about the statutory requirement to file accounts and annual returns and refer explicitly to the guidance document GP2 Life of a Company – Annual Requirements, an important and informative document with which they should familiarise themselves. They have also suggested that a similar letter should be sent to members of new LLPs.**

The New Director Letter was updated on 30th June 2016. There are no current plans to send similar letters to members of new LLPs but this will be reviewed in the light of the success of the New Director Letter the effect of which will not be felt until June 2017 and the impact of the amended version which will not commence until 1st April 2018, when the first of the new companies reached the filing deadline for their first accounts.

This recommendation was held over for a year while the impact of the New Director Letter was evaluated. There has been no formal evaluation by Companies House and we have commented in our current report that the letter does not appear to have had much effect. We have made a new recommendation that Companies House take action to improve compliance for companies filing their first accounts. (See para 2.5 and Appendix A.) We consider that the 2015-16 recommendation need not be pursued further but is replaced by the new recommendation.