

1. What is the government doing and why?

Through the Economic Crime and Corporate Transparency Act (“the Act”) the government is reforming the role and powers of Companies House and better equipping Companies House to tackle money laundering and other economic crime.

As part of these reforms, the government is improving the associated sanctions by amending existing criminal offences, creating new criminal offences, and taking a power to create a new civil penalties regime.

2. How is the government going to do this?

The Act provides the Secretary of State with a power to introduce a financial penalty regime via secondary legislation which will enable the Registrar to impose a financial penalty directly, as an alternative to pursuing criminal prosecution through the courts. In certain circumstances this will be a more appropriate use of resources. This financial penalty regime will sit alongside criminal sanctions; it is envisaged that the criminal route will be more likely to be used only in more egregious cases.

The government is also amending or creating offences in relation to:

- the Registrar of Companies’ new powers
- new requirements for Authorised Corporate Service Providers
- identity verification
- company names
- limited partnerships
- false statement offences
- the protection of personal information
- the transparency of ownership
- the Register of Overseas Entities

3. How will the new financial penalties regime work?

Regulations made using the Secretary of State’s new power will provide that a financial penalty may be imposed where the Registrar determines beyond reasonable doubt that a person has engaged in conduct that would amount to a relevant offence under the Companies Act 2006. This financial penalty regime will sit alongside possible criminal sanctions, so that in all cases the Registrar will have the discretion to choose to pursue a financial penalty or pass to law enforcement to consider criminal sanction.

4. What offences will be in scope of the financial penalties regime?

The offences that will be in scope are any offences contained within the Companies Act 2006 other than in Parts 12 (company secretaries), 13 (resolutions and meetings) and 16 (audit).

The new financial penalties regime will not allow for criminal prosecution for an offence which is pursued through a civil route. The registrar would need to make an active decision on whether to pursue a civil sanction or pass to law enforcement to consider criminal prosecution.

5. What civil sanctions will be imposed?

A civil sanction will involve the Registrar issuing a financial penalty.

The government is also strengthening the link between civil sanctions and director disqualification by amending the current provision in sections 3 and 5 of the Company Directors Disqualification Act 1986, and Articles 6 and 8 of the Company Directors Disqualification (Northern Ireland) Order 2002, to ensure that financial penalties can be used as grounds to disqualify a director.

6. When will these measures come into effect?

These measures will require consequential changes and secondary legislation and guidance, as well as system development. The government is working to implement the reforms as soon as possible.