

EXPLANATORY MEMORANDUM TO

STATUTORY GUIDANCE ON THE MEANING OF “SIGNIFICANT INFLUENCE OR CONTROL” OVER COMPANIES IN THE CONTEXT OF THE REGISTER OF PEOPLE WITH SIGNIFICANT CONTROL

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.
- 1.2 This memorandum contains information for the Secondary Legislation Scrutiny Committee.

2. Declaration

- 2.1 Blair McDougall, Parliamentary Under-Secretary of State (Minister for Small Business and Economic Transformation) at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Nis Bandara, Deputy Director for Company Law and Transparency at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 Trevor Smith at the Department for Business and Trade can be contacted by email at the following addresses with any queries regarding the guidance:
trevor.smith@businessandtrade and extpolicy@businessandtrade.gov.uk.

Part One: Explanation, and context, of the Guidance

4. Overview of the Guidance

What does the guidance do?

- 4.1 Paragraph 24(1) of Schedule 1A to the Companies Act 2006 (“the 2006 Act”) requires the Secretary of State to prepare and publish guidance about the meaning of “significant influence or control” for the purposes of Schedule 1A. This includes when revisions to the guidance are required.
- 4.2 Paragraph 24(2) states that regard must be had to this guidance in interpreting references in Schedule 1A to “significant influence or control”, i.e. in the context of the UK’s People with Significant Control (“PSC”) regime. The guidance provides non-exhaustive examples for practical application.
- 4.3 Revisions to the guidance are now required to update references to defunct legal requirements following the Economic Crime and Corporate Transparency Act 2023 (c. 56; “the 2023 Act”) and associated secondary legislation, such as the Register of People with Significant Control (Amendment) Regulations 2025 (“the PSC amendment SI”, SI 2025/1036). These changes do not impact how “significant influence or control” should be interpreted.

Where does the guidance extend to, and apply?

- 4.4 The guidance relates to the statutory regime established by the 2006 Act, which applies to the whole of the United Kingdom.

5. Policy Context

What is being done and why?

- 5.1 The PSC¹ regime was introduced in 2016. It requires UK companies and other legal entities to identify who owns and controls them (i.e. who their PSCs are), to register their details with Companies House, and to keep these details up to date. The two main objectives of the PSC register are to provide transparency around the ownership and control of UK corporate structures and to help prevent their misuse.
- 5.2 The 2023 Act refashioned existing duties on companies to collect information about their PSCs, record the information on a “local” PSC register, and then report the information to Companies House. Those duties now form part of a legal regime in which companies will report PSC information directly to Companies House, who will hold the “central” PSC register. This will streamline the PSC regime, reduce burdens on business, and ensure PSC information appears on the Companies House register more quickly. The guidance needs to be revised to reflect these changes to the law.

What was the previous policy, how is this different?

- 5.3 Guidance on the meaning of “significant influence or control” was first published in 2016.
- 5.4 This update aligns the guidance with the updated legal position.

6. Legislative and Legal Context

How has the law changed?

- 6.1 This statutory guidance has been produced to reflect new primary and secondary legislation, specifically the 2023 Act and the PSC amendment SI. This guidance does not amend the law.

Why was this approach taken to change the law?

- 6.2 The draft guidance does not amend the law. It is issued under Schedule 1A to the 2006 Act and regard must be had to it when interpreting the phrase “significant influence or control” within that Schedule.

7. Consultation

Summary of consultation outcome and methodology

- 7.1 The 2006 Act does not require a formal consultation on the guidance.

8. Applicable Guidance

- 8.1 Statutory and non-statutory guidance on the PSC regime can be found here: <https://www.gov.uk/government/collections/people-with-significant-control-requirements>.

¹ A PSC of a company is an individual who meets at least one of the five specified conditions in Schedule 1A of the 2006 Act.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

- 9.1 A full Impact Assessment has not been prepared for revisions to the guidance because this change supplements and confirms the remit of the 2006 Act. The Impact Assessment for the 2023 Act is available here:
<https://publications.parliament.uk/pa/bills/cbill/58-03/0154/1.ImpactAssessmentfromDepartmentforBusinessEnergyandIndustrialStrategy.pdf>.

Impact on businesses, charities and voluntary bodies

- 9.2 There is no, or no significant, impact on business, charities or voluntary bodies because revising the guidance imposes no new regulatory duties and serves only to clarify interpretation of provisions already set out in the 2006 Act.
- 9.3 The revisions to the guidance do impact small or micro businesses.
- 9.4 The revised guidance will apply to entities registered with Companies House, including small or micro businesses. However, there is no significant or disproportionate impact on these businesses.
- 9.5 There is no, or no significant, impact on the public sector because the guidance creates no new legal obligations and serves only to clarify interpretation of provisions already set out in the 2006 Act.

10. Monitoring and review

What is the approach to monitoring and reviewing this guidance?

- 10.1 In line with paragraph 24(9) of Schedule 1A to the 2006 Act the Secretary of State may revise guidance published. The Department for Business and Trade and Companies House will monitor all the reforms to Companies House enabled through the 2023 Act and will periodically publish evidence on their impact, which will include considering whether the guidance needs to be revised.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

- 11.1 The legal changes necessitating the updates to the guidance already came into force on 18 November 2025.

12. European Convention on Human Rights

- 12.1 As the guidance is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

- 13.1 This guidance is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).