

# The Economic Crime and Corporate Transparency Bill

A guide for UK company directors and secretaries on the proposed reforms



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On 22 September 2022, the Economic Crime and Corporate Transparency Bill (the "**Bill**") was introduced to Parliament. The Bill, if passed, will give greater powers to the Registrar of Companies to act as gatekeeper for the integrity of the register by querying filings and requiring further information. The Bill also contains provisions requiring verification of identity for company directors and others, new rules intended to improve the financial information on the register, and various other changes which aim to "prevent organised criminals and kleptocrats from abusing our open economy".

In this briefing, we examine the key features of the government's proposals put forward under the Bill and explain their significance in the context of the day-to-day corporate management of companies incorporated in England and Wales.

In addition to company law reform, the Bill proposes reform of the law on Limited Partnerships, and provisions on the new Register of Overseas Entities. These changes are outside the scope of this briefing.

## SECTION 1: A new era for Companies House

The Bill follows on from the Corporate Transparency and Register Reform White Paper published in February 2022 and the recently enacted Economic Crime (Transparency and Enforcement) Act ("**ECA**") passed earlier this year. Amongst other things, the ECA created a register of overseas entities to target bad actors using UK property to perpetrate fraud and money laundering. For further details on the ECA and the register of overseas entities, please see our briefing [here](#).

The ECA and the Bill are both born out of the government's desire to deliver reforms that tackle economic crime and improve transparency over UK corporate entities. The focus of the Bill is on an overhaul of the powers and role of Companies House. Heralded as the biggest series of reforms to Companies House since its inception in 1844, the government is looking to re-brand Companies House from passive administrator to an active corporate gatekeeper through a series of reforms that seek to:

- expand the role and powers of the Registrar;
- introduce identity verification measures;
- enhance data sharing with other law enforcement and government bodies;

- prevent the abuse of personal information on the register;
- improve the financial information on the register; and
- introduce new amendments with the aim of providing greater transparency and preventing the abuse of UK corporate structures.

## SECTION 2: The Registrar's new objectives

Currently, the Registrar's main functions are broadly restricted to maintaining the register and making information on it publicly available. The Registrar has minimal powers to query information provided to it and is therefore limited in its ability to identify errors or raise concerns where suspicious activity is suspected. The government has acknowledged that these curbs on the Registrar's powers have, to date, compromised the integrity of the register.

The Bill aims to combat this by adding a new section 1081A to the Companies Act 2006, which sets out the following four key objectives (the "**Objectives**") for the Registrar going forwards:

- 1 To ensure that those required to deliver documents to the Registrar do so, and that the requirements relating to proper delivery are complied with.

- 2 To ensure that documents delivered to the Registrar contain all of the information that they are required to, and that the information provided is accurate.
- 3 To minimise the risk of information on the register creating a false or misleading impression to members of the public.
- 4 To minimise the extent to which companies and other firms (a) carry out unlawful activities; or (b) facilitate the carrying out by others of unlawful activities.

### SECTION 3: The Registrar's new role and powers

In order to meet these Objectives, the Bill proposes to equip the Registrar with a raft of new powers, including:

- the power to require the supply of additional information in relation to material filed to Companies House;
- the power to proactively share information with any persons in connection with the Registrar's functions or the functions of other public authorities;
- expanding the Registrar's powers to remove material from the register;
- powers to change the company's registered office address and take action against those failing to provide an appropriate address; and
- removing constraints on the Registrar's powers to make rules which mandate digital delivery of documents and filings.

### SECTION 4: How will the Bill affect day-to-day UK company management?

When thinking about the practical impact of the Bill, it may be useful to think about its effect in different categories of matters, as set out below. This summary does not cover all the proposals of the Bill but those that may be most relevant to the day-to-day running of the company.

#### Directors

- **Ineligibility of certain persons to act as directors:** Certain designated persons, as defined by section 9(2) of the Sanctions and Anti-Money Laundering Act 2018, will not be able to act as directors of a company and disqualified directors must not be appointed as directors of a company.
- **Director ID verification:** An individual must not act as a director unless they have verified their identity and a company must ensure that an individual does not act as a director unless their identity has been verified.
- **Declaration of ID verification/non-disqualification of director:** Appointments of directors (including on incorporation of a new company) must include statements confirming that (i) the proposed company's directors have verified their identity, and (ii) none of the proposed directors is disqualified under directors' disqualification legislation or is otherwise ineligible to be a director.

#### PSCs

- **PSC ID verification:** Each PSC must verify their identity and maintain their verified status as long as they are registered with the Registrar and each RLE must verify the identity of their relevant officer and maintain the verified status of their registered officer as long as such RLE is registered with the Registrar.
- **PSC ID verification/non-disqualification:** Applications to register a PSC must include a statement confirming that none of the proposed registerable persons or registrable RLEs is disqualified under directors' disqualification legislation.

#### Subscribers/members

- **Declaration of non-disqualification:** On incorporation of a company, the company must include a statement that none of its proposed subscribers/members is a disqualified director.
- **Full names of subscribers/members:** For subscribers and members who are individuals they must provide a forename and surname and, in the case of a peer or individual usually known as a title, such title. A company will need to provide a full list of shareholders with the first confirmation statement.

#### Company secretaries/agents

- **ID verification of individuals delivering documents to the Registrar:** An individual delivering documents to the Registrar on behalf of a company must have their identity verified.
- **Declaration of ID verification of individuals delivering documents to the Registrar:** Where delivering documents on behalf of a company, the individual must confirm that they have the authority to do so.

#### Verification requirements

- **Meaning of "identity is verified":** An individual's identity is verified if the person has verified their identity with the Registrar directly in line with the prescribed verification requirements (which shall be prescribed by the Secretary of State) or if a verification statement in respect of the person has been delivered to the Registrar by an authorised corporate service provider (an "ACSP").

### Company information:

- **Inconsistent or incomplete information:** Where information is submitted to the Registrar and is deemed by the Registrar to be (i) inconsistent with other information the Registrar holds or (ii) incomplete, the Registrar may reject or remove the information, require the submission of additional information or issue a notice to the company to resolve the relevant inconsistencies.
- **Company name:** The Registrar shall have the power to change a company's name where it contains computer code or where the company has failed to change its name when directed to do so by the Registrar;
- **Company registered office address:** The company's registered office must be at an appropriate address, being an address where, in the ordinary course of events, a document addressed to the company, and delivered there by hand or by post, would be expected to come to the attention of a person acting on behalf of the company, and where the delivery of documents is capable of being recorded by the obtaining of an acknowledgement of delivery.
- **Company email address:** All companies must maintain an appropriate email address, being an email address at which, in the ordinary course of

events, emails sent to it by the Registrar would be expected to come to the attention of a person acting on behalf of the company.

- **Company registers:**

- **Register of members:** All companies will have to maintain their own register of members, meaning that private companies will no longer have the option to keep information about their members on the Companies House central register.
- **Register of directors, register of directors' residential addresses, register of secretaries and PSC register:** There will no longer be a requirement for companies to maintain their own register of directors, register of directors' residential addresses, register of secretaries or PSC register.

### SECTION 5: What happens next for UK companies?

In addition to the Bill receiving Royal Assent, these reforms will require significant additional secondary legislation and guidance, as well as the development of systems at Companies House to implement such extended powers, before changes formally come into force.

## FOR FURTHER INFORMATION, PLEASE CONTACT



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