


Corporate transparency and register reform – 3 further consultations published

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 22 January 2021

The Government has recently published three further consultations regarding corporate transparency and reform of the Companies House register.

These broadly relate to:

- **Implementing the ban on corporate (i.e. non-natural person) directors in pursuance of the objective of enhancing corporate transparency** – this consultation focuses largely on how to define exceptions to the general prohibition such that corporate directors can still be used in certain legitimate situations. The latest proposal is that all of the directors of any corporate director must themselves be natural persons (i.e. individuals) who are, prior to the corporate director appointment, subject to a Companies House identity verification process.

A company that appoints a corporate director will be required to take all reasonable steps to assure itself that the corporate director has (and continues to have) no corporate directors. The company will be required to confirm that it believes this to be the position in its annual confirmation statement to Companies House. It is not yet clear precisely what happens if directors of corporate directors cease to be individuals.

It should also be noted that the government is now seeking views on the application of the proposed corporate director principles to LLPs and limited partnerships.

- **Improving the quality and value of financial information on the UK's companies register** – this consultation broadly looks at the following:
 - how companies might in future be able to file accounts once only with government, instead of separately to Companies House, HMRC and other agencies
 - the filing options available to small companies aimed at minimising burdens whilst ensuring the information provided is valuable
 - the proposal that all companies should file accounts digitally with Companies House in a machine-readable format and using tagging standards
 - improving the quality and value of information on the register by reviewing the timescales for delivering accounts and how information is displayed
 - additional checks Companies House could carry out on accounts filings

Where companies file accounts under a specific regime (e.g. small company) it is proposed that accounts will be required to include a declaration of eligibility signed by the directors. The three threshold conditions set out in Part 15 of the Companies Act 2006 (turnover, balance sheet and number of employees) will need to be disclosed by all companies and the directors will confirm that the company meets the threshold conditions to file under the regime being used.

- **Powers of the registrar** – this consultation looks at giving the registrar new powers to query information (e.g. if Companies House has reason to believe the use of a registered office address may be fraudulent), which it is proposed will be exercised on a risk-based approach. It also explores how the registrar's powers could be strengthened in a range of areas, including to close loopholes and to amend or remove information from the Companies House register, as well as considering the obligation for companies to keep a Register of Directors plus changes to other statutory registers and the register election regime. It is worth noting that the consultation proposes that the registrar is able to query information contained in legal effect filings both pre- and post-registration.

Looking at the prohibition on corporate directors in more detail, this was first included in the Small Business, Enterprise and Employment Act 2015 and its implementation has already been delayed several times (see our most recent article on this [here](#)). This latest consultation suggests we are now much closer to the ban being implemented, albeit that the proposals will require primary legislation and also rely on the proposed new mandatory identity verification process for company directors being in place (for more details on this please click [here](#)).

Companies that currently make use of corporate directors (perhaps in a joint venture context or across subsidiaries) may wish to start reviewing their directorship structure to plan for any future changes that might be needed as a result of the prohibition coming into force. According to the consultation, around 33,000 companies currently have a corporate director on their boards - but at least two-thirds of those companies would be compliant with the principles-based approach set out above – so it is hoped the disruption will be kept to a minimum.

Helpfully the consultation also notes that the government is “conscious that the coronavirus pandemic has meant new and unforeseen challenges for many companies... [and]... will ensure that the timetable for introducing new requirements around corporate director appointments is sensitive to those additional pressures.”

All three consultations close on 3 February 2021 and we will report back on future developments as they arise.

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