

Corporate Transparency White Paper published

The government has recently published the Corporate Transparency White Paper – it follows previous consultations on improving the quality and value of financial information on the UK companies register, powers of the registrar and implementation of the ban on corporate directors, which were published in 2020.

26 April 2022

The government has recently published the [Corporate Transparency White Paper](#) – it follows previous consultations on improving the quality and value of financial information on the UK companies register, powers of the registrar and implementing the ban on corporate directors, which were published in 2020. Links to our previous updates on these developments can be found [here](#) and [here](#).

The White Paper has been published earlier than expected in response to the current tragic events in the Ukraine. It sets out the government's final position on reforms to the Companies House framework and to increase the transparency of UK corporates ahead of introducing legislation. In essence, "the government would like to see Companies House play an expanded role so will change its statutory role from being a largely passive recipient of information to a much more active gatekeeper over company creation and custodian of more reliable data."

Some of the key points contained in the White Paper are as follows:

- **Identity verification** – anyone setting up, running, owning or controlling a UK company will need to verify their identity with Companies House or via an anti-money laundering supervised third-party agent. A digital identity service is currently being developed.

The White Paper provides that all new and existing company directors, Persons with Significant Control (**PSCs**) and anyone else filing information will be required to have a verified account at Companies House. Further changes are also proposed to enhance the information held on shareholders and PSCs of UK companies - for example, private companies and certain traded companies will need to provide a one-off full shareholder list.

The following will also be required to verify their identity:

- members of LLPs.
- general partners of limited partnerships.
- directors of overseas companies.
- directors of Relevant Legal Entities (known as RLEs).

A transition period will apply for existing companies (and other registrable entities), following which criminal sanctions and civil penalties may apply.

The point at which a director's appointment has legal effect will not be changing – the company will still appoint them, but they must be registered and the director must verify their identity at Companies House within a set period after the appointment. If a director is not registered by the end of that period, they will commit an offence and may also be liable for a civil penalty. Any company directed by an unverified director will also commit an offence.

- **Increased powers and role for Companies House** – it will have the power to query suspicious appointments or other filings and request further evidence before accepting them. It will also be able to query information post-registration, on a discretionary basis using a risk-based approach.

There will also be greater data sharing between Companies House and law enforcement agencies and other government bodies, where certain conditions are met.

- **Prohibition on corporate directors** – the White Paper sets out that a company will not be permitted to act as a corporate director unless both of the following conditions are satisfied:
 - All directors of the company seeking appointment are natural persons; and
 - Prior to the corporate director appointment, those natural person directors are subject to an appropriate identity verification process (see above for details).In addition, only legal personality corporate directors will be allowed in future and corporate directorships will be restricted to entities registered in the UK.
- **Restrictions on who can create UK companies** – overseas agents will no longer be able to create companies in the UK.
- **Improving the quality of information on the companies' register** – this will be achieved via a series of new measures. For example:
 - by giving the registrar a discretionary power to remove material which impacts on the integrity of the register. Currently, the registrar can only remove material in limited circumstances.
 - by expanding the requirements for proper delivery.
 - by giving the registrar discretionary power to change the address of a company's registered office to the default address where the registrar is satisfied that the company is not authorised to use the address or there is evidence that the address does not exist.
 - by giving the registrar new powers in respect of company names. For example, the new querying power (referred to above) could be used to query a company name – and if unsatisfactory evidence is provided in response, it will also be able to direct the company to change its name within 28 days, with power to change the name to its registered number if the direction is disregarded.
- **Preventing the abuse of personal information** - company directors will be better able to protect personal information published by Companies House to reduce the risk of identity theft or fraud. For example, the business occupation of directors will no longer need to be provided and a process will be set up so that applicants can have business occupations suppressed where this is included in historic filings.

There will also be a process for applicants to have signatures suppressed from the public register, and where it is not already possible to do so, to have the day of their date of birth and residential addresses suppressed from the public register.

- **Changes to how companies report their financial information to Companies House** – for example, companies will be required to file accounts with Companies House in a digital format using Inline Extensible Business Reporting Language (**iXBRL**) and with information fully tagged. Filing options available for smaller companies will also be reduced.
- **Future proofing** – there are also minor changes to various parts of the Companies Act 2006 designed to provide more flexibility for the registrar in future. For example, although the government decided not to reduce the current time periods for filing of accounts (being nine months after the end of the financial year for a private company), it will introduce a new power in the Companies Act 2006 for the Secretary of State to be able to make regulations to change filing periods for company accounts in future.

As well as requiring new legislation to be passed, many of these measures will require a huge overhaul of Companies House processes and systems, together with additional resourcing. The White Paper states that “the Government has invested £20 million in the transformation of Companies House in 2021-22 and has committed a further £63 million at the 2021 Spending Review.”

Legislation to implement the position set out in the White Paper is expected to be introduced to Parliament in the next session – so its provisions could be implemented into law before the end of 2022.

Contact

Emma Grant
Knowledge Director



emma.grant@brownejacobson.com

+44 (0)115 934 2043

Related expertise

Commercial law

Corporate