SWEEPING CHANGES TO COMPANY REGISTRATION IN THE UNITED KINGDOM TO INCREASE TRANSPARENCY OF COMPANIES AND THE INTEGRITY OF THE REGISTER

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UK Real Estate Alert

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BACKGROUND

The Economic Crime and Corporate Transparency Act (2023) (the Act) introduces the most significant changes to Companies House since corporate registrations were established in 1844. It is a new UK law that aims to tackle economic crime, improve transparency of companies and other registered entities, reform the role of UK Companies House, and strengthen the UK's business environment. This alert focuses on the elements of the Act that will bring Companies House and its legal framework into line with modern day operations.

On 16 October 2024, the Chair, CEO, and others at Companies House updated stakeholders on the implementation plan and timing of the proposed changes and published an outline transition/timeline plan (the Plan). The Plan provides a phased timeline for several key measures that Companies House will roll out through to 2027.

HOW COMPANIES HOUSE OPERATES

Companies House serves as the official registrar for UK business, offering a public record of company details like ownership, management, and financials. Currently, there are 3 registrars of companies in the UK, based in Cardiff (for registration of companies in England and Wales), Edinburgh (for registration of companies in Scotland) and Belfast (for registration of companies in Northern Ireland). For years Companies House has operated with limited checks on the information companies provided, resulting in vulnerabilities that allowed some entities to abuse the registration framework. The Act builds on prior legislative efforts such as the Economic Crime (Transparency and Enforcement) Act 2022 which has introduced a robust registration system, including requirements for independent verification of information provided, for overseas entities that own certain interests in UK real estate (Real Estate Ownership and the Implications of the Economic Crime (Transparency and Enforcement) Act; The Economic Crime (Transparency and Enforcement) Act 2022 – Impact on UK Sanctions Regime; and Real Estate Implications of the Economic Crime (Transparency and Enforcement Act) 2022).

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IMPLEMENTATION OF THE PLAN

The Plan outlines and highlights the complex nature of the Act's changes and describes a phased approach to implementation. There is not a definitive timetable of implementation of all the measures because secondary legislation is required. It is anticipated that there will be around 50 Statutory Instruments required to achieve the reforms through to 2027. The ongoing cost of the changes will be paid for by an increase in Companies House fees.

There will be new responsibilities for:

- All new and existing company directors;
- People with significant control of a company (PSCs); and
- Anyone who files information on behalf of a company.

The programme of change has several strands, starting with increased powers which will allow Companies House to begin the process of cleaning information on the existing registers and querying new information as it is submitted to them. The work on this started on 4 March 2024, and will be ongoing over a number of years as they remove incorrect or fraudulent information from the register in priority order. Since March 2024, Companies House also has increased powers to analyse and share data with law enforcement agencies and other government departments.

A key component of Companies House's remit will be identity verification, and the reforms will involve more than 7 million individuals going through enhanced checks. By spring 2025, Companies House will introduce the first step by allowing Trust and Company Service Providers (TCSPs) and other professional service providers who are registered for Anti Money Laundering purposes with a supervisor in the UK, to register to become Authorised Corporate Service Providers (ACSPs). This will allow them to carry out verification services for their clients—as required under other new rules to be phased in—and provide these details to the registrars.

By autumn 2025 Companies House will commence the new identity verification requirements under which all directors and PSCs for new incorporations will be required to verify their identity at the point of incorporation. There will be a transitional period of up to 12 months for existing companies which will be required to provide identity verification credentials for their directors and PSCs when their confirmation statement is due. The precise verification requirements are being worked on, and detailed technical guidance is awaited.

Reforms affecting UK limited partnerships (LPs) that will make their information more accessible and transparent will take place no sooner than spring 2026. Transparency of company ownership will also be further improved by the publication of more information on shareholders. We expect this to be a significant undertaking for some companies and Companies House are currently working through the implementation options.

Lastly, following an extensive formal notice period, Companies House will require all annual financial accounts to be delivered to them digitally, via software.

CONCLUSION AND NEXT STEPS

The Act's changes to Companies House's responsibilities aim to enhance trust in the UK's business environment by prioritising transparency and accountability. With stricter rules around identity verification, increased scrutiny of

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submissions, and enhanced powers for enforcement, the UK aims to reduce opportunities for economic crime and improve the overall quality of corporate governance. The timeline reflects Companies House's intent to support businesses in adjusting to the reforms while gradually introducing technical infrastructure updates and passing necessary secondary legislation. The phased approach is designed to give businesses adequate preparation time for compliance, aiming to minimise operational disruptions while achieving the Act's objectives of bolstering transparency and reducing fraud risks across UK companies.

The Companies House Changes to UK company law website details the changes and what customers and their agents need to do and by when. The latest information can also be obtained by subscribing to Companies House newsletter. Finally, the Act also requires Companies House to report to Parliament periodically on progress with the Act's implementation. The first report has been published—read the Economic Crime and Corporate Transparency Act 2023: progress report.

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