

Boardroom Briefings. Demystifying the Companies House changes

Insights - 18/03/2024

The landscape of the United Kingdom's company law is always evolving. More recently this has been impacted by global legal framework adaptations with an even greater focus on anti-money laundering (AML), know your client (KYC) and the need for transparency as the UK government and its law enforcement agencies ask "who, what and why?".

The wave of changes, which began on 4 March 2024, are set to be particularly vast and are leading to a new era for Companies House, the home of the UK's registrar of companies, as the department goes through its biggest transformation since establishment in 1844.

In this edition of Boardroom Briefings we ask ourselves "who, what and why?" in relation to these changes. We explore the immediate ramifications of the first wave of developments and gaze to the horizon on those being phased in, in the coming years.

| Who initiated these UK company law changes?

In 2022 the Economic Crime (Transparency and Enforcement) Act 2022 received royal assent and brought a register of overseas entities into the law.

Money laundering often relies on opaque and complex offshore corporate structures in order to complicate the identification of illicit finance. There are many legitimate reasons for international corporate structures to exist, however, so a knee-jerk reaction of banning the ownership of UK real estate by an off-shore company would not be appropriate.

As a result of this, on 1 August 2022, the Register of Overseas Entities was introduced. For the first time, all UK real estate owned by an overseas entity has an obligation to identify its beneficial owner(s). This information is kept on a register, verified by a UK based agent and filed at Companies House. Thus the foundation was laid for the biggest changes to Companies House since its inception.

Companies House's prior purpose was to receive documentation and, short of any technical errors, accept everything on face value then load it onto the register for all the world to see. Now, with the implementation of the Economic Crime and Corporate Transparency Act 2023, Companies House is moving towards more of a gatekeeping role.

They have massively increased headcount and staff have been pulled away from day-to-day activities to be intensively trained on their new functions. Due to this, you may have noticed more delays over the past 6 to 12 months in particular. A new website has also been created to keep stakeholders up to date. Next, a phased transition is being rolled out as Companies House's new powers begin to be exercised, such as verifying filings and requesting supporting evidence to prove the information contained therein.

What changes have been made to UK company law?

The phased rollout began on 4 March 2024, with the following high-level changes:

- Companies House now has greater powers to query information and request supporting evidence. The changes have not been implemented for long enough to notice trends, but are expected to surround documented consent to appointments and verification of identities in particular.
- Companies House will now be doing a more robust check against existing company names to ensure that they comply with the rules in UK law covering this topic.
- Only appropriate registered office addresses can now be used, which has been defined as locations with individuals able to accept delivery of service documents. This acts as a ban on PO Box registered offices.
- The requirement to supply a registered email address for every company. For new companies this will be supplied on the IN01 incorporation form. For existing companies on the register they will ask for this as part of the annual confirmation statement.
- The requirement to make a statement confirming the company has been established for a lawful purpose. This is to be made by the shareholders in the IN01 incorporation form for new companies. For existing companies, this will be supplied within the annual confirmation statement.
- Companies House has been granted additional powers to challenge filings and to remove certain items from the register when they are obviously false or misleading. This is also allowing a "cleaning" exercise to be undertaken using AI to clear the register of duplicate addresses. Previously, slight mistakes have led to duplicate entries being made and Companies House have stated their other priority is to cleanse the register of those that have been appointed without consent.

- Companies House may now annotate the register if it believes this would help clarify an entry.
- Companies House may now share data across government departments and law enforcement agencies.
- Companies House itself now has access to greater enforcement penalties and powers.

Being a self-funded department, however, means that all of the additional headcount and gatekeeping activities will necessitate additional funding. This means a significant increase in the fees at Companies House. This will be effective from 1 May 2024. A link to the new published fee schedule is listed in the useful links section below.

As previously mentioned this is the first wave of changes. At present we do not have firm dates on the additional changes being rolled out. However, we have been given an overview of what remains in the pipeline and are awaiting the relevant statutory instruments to allow their implementation. These are:

Longer-term changes

- The introduction of compulsory identity verification, which will also require additional enhancement to data security at Companies House so personal details will be more effectively protected.
- The streamlining of accounts filings for small and micro entities and a move to require all accounts to be filed electronically with eXtensible Business Reporting Language (XBRL) tagging.
- Making Limited Partnerships information more accessible and transparent.

In a similar vein to the Registrar of Overseas Entities changes, Companies House has acknowledged it cannot encompass all of these changes alone. So, the concept of an Approved Corporate Services Provider (**ACSP**) has been adopted. This is a trusted organisation covered by either a regulated body or a HMRC AML supervisory license. If used, this will allow a company to make filings without as many of the verification and supporting documentation steps (as these are acknowledged to have been covered already through the agent's onboarding checks).

Ogier Global, as holder of such a licence, will be registering as soon as the infrastructure is in place to better service our clients. The statutory instruments for this are expected to be finalised by the end of summer 2024 with implementation expected by the end of 2024.

Why have these UK company law changes been enforced?

In short, these changes are designed to make the UK register of companies more transparent with better quality data. This will increase trust in the register and also ensure that UK companies are not being used to facilitate economic crime, which impacts us all.

Despite the additional requirements, these changes also have potentially significant benefits to end users, such as our clients. The enhanced screening by Companies House should minimise the haunting concept of false filings which can have a significant financial and legal impact on businesses.

Prior to the changes, once something was on the register it was stuck on there unless you paid for a court order to remove it. This meant even innocent administrative mistakes, such as a repeat upload by Companies House, would stay in a company's history forever.

Beyond innocent mistakes, however, there have been a number of fraudulent findings in the past which would then necessitate a lengthy and costly court application to obtain an order to have the entry removed from the register.

One example from my own experience was made by an underlying mortgage holder in a residential mortgage backed securities transaction. Mistakenly thinking the charge related to the charge on their house, they filed at Companies House to remove it from the register. As a result this removed the charge the Trustee held as security over the portfolio of mortgages held by the company. Whilst legally this did not impact on the ability of the charge to be enforced, it did have significant impact on contractual obligations within the transaction itself and necessitated an onerous and costly application to the courts to have it reinstated.

If my own personal experience wasn't enough to convince you this is more common than you'd think, well [Sky News also broke a story last week](#) about the banking trade association warning its members of 800 rogue filings made against banks which were similar to my own story, though of course they did not connect this to the Companies House changes and the 4 March 2024 implementation date as your Boardroom Briefings issue did!

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Useful Links

[London | Ogier](#)

Changes to UK company law - Changes to UK company law – Government website established to keep stakeholders informed of the upcoming changes and to provide guidance on the implementation of the changes.

Changes to Companies House fees - Changes to UK company law

Economic Crime (Transparency and Enforcement) Act 2022 (legislation.gov.uk)

Economic Crime and Corporate Transparency Act 2023 (legislation.gov.uk)

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