

CHANGES TO UK COMPANY LAW

Background

The Economic Crime and Corporate Transparency Act 2023 (the **Act**) received royal assent on 26 October 2023 and brought with it a number of changes to UK company law and administration.

The Act gives Companies House the power to play a more significant role in tackling economic crime and supporting economic growth. It is hoped that, over time, the new measures implemented by Companies House will lead to improved transparency and more reliable information on its registers.

Read on to find out what will be changing for you and your company.

Specialist advice should be obtained before taking, or refraining from taking, actions based on comments in this update which is only intended as a briefing note.

Who is Affected?

The following groups have been given new or expanded responsibilities under the Act:

- all new and existing company directors;
- people with significant control of a company; and
- anyone who files on behalf of a company.

The following types of corporate legal entity registered in England and Wales, Scotland and Northern Ireland are caught by the Act:

- private limited companies;
- public limited companies;
- limited liability partnerships;
- limited partnerships;
- community interest companies; and
- overseas companies.

The legislation will also apply to anyone who files on behalf of clients, such as accountants and company formation agents. Those filing on a client's behalf will need to register as an authorised agent, also known as an Authorised Corporate Service Provider, with Companies House.

Note that if you plan to form a new company or other corporate entity, it is important to consider the changes and understand the new responsibilities introduced by the Act.

The Changes at a Glance

The spirit of the new measures is to improve the accuracy of the data contained in the company registers held by Companies House. The aim is that better quality data will drive confidence in the UK economy and help to tackle economic crime.

A summary of the changes which came into effect from 4 March 2024 can be found below.

Data Quality

The Registrar of Companies has, under the Act, new statutory objectives which they must promote when performing their functions. These objectives include:

- ensuring documents are delivered to the Registrar using the proper delivery method;
- ensuring information contained in the register is accurate and comprehensive;
- ensuring records do not create a false or misleading impression to members of the public; and
- preventing entities from carrying out or facilitating the carrying out by others of unlawful activities.

To this end, new rules have been implemented to reflect these statutory objectives.

A company's registered office address must now be 'appropriate'. An address is deemed appropriate if a person acting on behalf of the company would be able to receive a document to that address by hand or by post and provide an acknowledgement of delivery. This means that companies can no longer use a PO Box as their registered office address.

Where the Registrar is satisfied that a company's address is *not* appropriate, it will be changed to a default address held at Companies House. If an appropriate address with evidence of proprietary ownership is not provided within 28 days, then Companies House may begin proceedings to strike the company off the register.

Other examples of the new rules include stronger checks on company names which may give a false or misleading impression to the public, and a requirement to confirm that a company is being incorporated for a lawful purpose.

Failure to respond to a formal request for information from Companies House may lead to:

- a financial penalty;
- an annotation on the company's record; and/or
- prosecution.

Confirmation Statements

Every company, including those that are dormant or non-trading, must file a confirmation statement at least once a year. This is the case even if the company hasn't experienced any changes during that period.

Under the Act, companies must now provide a registered email address which Companies House will use to communicate with them. This email address will not be available for public inspection. Existing companies must provide a registered email address when filing a confirmation statement dated 5 March 2024 onwards. New companies need to give a registered email address on incorporation from 4 March 2024.

All confirmation statements dated 5 March 2024 onwards must also contain a statement that the company's intended future activities will be lawful.

Identity Verification

Companies House are currently working on an identity verification process which it hopes will deter those wishing to use companies for illegal purposes.

Anyone setting up, running, owning or controlling a company in the UK will need to verify their identity to prove they are who they claim to be. Further information will be released on this in the coming months.

Accounts

The Act also intends to improve transparency by making more financial information publicly available.

In an effort to modernise and digitise filing, Companies House is changing the way annual

accounts are filed. A transition towards software-only accounts filing is happening, to ensure filing is more cost-effective and traceable.

A phased digitisation will be taking place over the course of the next 2 to 3 years when it is expected that paper filing will be done away with.

Companies House is also removing the option to file 'abridged' accounts for small and micro-entity companies. These companies will now need to file profit and loss accounts.

Any company claiming an audit exemption will also be required to provide a statement of the directors on the balance sheet. The statement should specify the exemption being claimed and explain why the company qualifies for the exemption.

Personal Data Protection

The Act has also introduced measures to prevent the abuse of personal information held on the Companies House register. Companies House recognises that corporate transparency needs to be balanced with the requirement to only publish personal information where it is necessary and proportionate to do so.

Over the next two years, secondary legislation will be brought in to enable individuals to suppress the following information about themselves from historical documents:

- residential addresses;
- day of birth for documents registered before 10 October 2015;
- signatures; and
- business occupation.

Individuals at risk of physical harm or violence as a result of their personal information being displayed on the public register will also be able to apply to have their information protected from public view.

Company Ownership Transparency

In a final push to make company information more accessible, companies will now be required to provide a one-off full list of shareholders to the Registrar, so that Companies House can display the shareholder information in a more user-friendly way.

For corporate and commercial law related advice, please get in touch with us at Enquiries@downslaw.co.uk.