

Research Briefing

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By Peter Brook

Company registration in the UK



Summary

- 1 Companies House
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- 4 Issues and criticisms

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Summary

The UK Government is reforming Companies House and the company registration regime in the UK. This is in response to concerns raised about the vulnerability of the company registration system to abuse, and the reliability of the company data collected and published by Companies House.

Ease of incorporation

According to the World Bank, [the UK is one of the easiest places in the world to register a company](#), and the Government intends for it [to remain “quick easy and affordable”](#).

Until 1 May 2024, the [fee to incorporate a company online was £12](#). These fees increased on 1 May 2024 to £50, but [remain some of the lowest in the world](#). For comparison, the [average cost of registering a limited company in the European Union in 2018 was 300 euros](#) (around £260).

The Department for Business and Trade highlights the fact that a [private limited UK company can be set up in just 24 hours](#).

Companies House is an executive agency of the Department for Business and Trade responsible for:

- incorporating and dissolving limited companies
- examining and storing company information
- making information available to the public.

Challenges that accompany ease of incorporation

There is currently no requirement for the directors of UK companies to verify their identities or their addresses, before setting up a company. There is also [no requirement to have a UK based director or shareholder](#) when setting up a company.

Critics have argued that the [low barriers to registering a company and limited identification checks leave the UK system vulnerable to abuse](#) [subscription only]. The UK companies [register contained around 5.2 million companies in December 2023](#). At the start of 2023, the [Department for Business and Trade estimated that there were only 2.1 million companies actively trading](#).

Financial risk assessment firm Moody’s found globally [the UK has the highest number of companies displaying behaviours which they found to be commonly associated with shell companies](#) (PDF). Shell companies are registered companies with no significant assets or operations, often without

employees or offices. There can be legitimate reasons to set up shell companies, however, [they can be used for illegal or unethical practices](#).

The ease of company registration in the UK has led to widespread press reports of fraudulent company registrations. For example, in late 2023, forty-eight companies registered to Chinese nationals were [registered to unconnected residential addresses in one street in Swansea](#).

Financial crime expert Graham Barrow told the BBC that [fraudsters set up multiple fake companies in the UK](#) to either launder money or to obtain bank accounts and take out loans.

Economic Crime and Corporate Transparency Act 2023

The Government passed legislation in 2023 to address these challenges. The [Economic Crime and Corporate Transparency Act 2023](#) (ECCTA) introduced [new objectives for the Companies House registrar](#) including to ensure the register is accurate and not misleading, and to prevent companies from carrying out unlawful activities.

A number of these changes came into force on 4 March 2024:

- Companies House were given [the power to proactively investigate and query information on the register, and request supporting evidence to support information](#) being filed.
- Companies House's [abilities to share information with law enforcement agencies were enhanced](#).
- It became an [offence for companies not to register an 'appropriate address'](#).
- The [rules restricting the naming](#) of companies were strengthened.

Companies House have not yet confirmed how they will identify false information, nor whether they will actively monitor filings, or rely on receiving complaints to direct their investigations.

[They have stated that they won't act on all the information they receive](#), instead prioritising cases which pose the biggest risk to the integrity of the register.

The ECCTA introduced powers for Companies House to require identification and address verification. However, [secondary legislation will be required before the checks can be enacted](#) and the Government confirmed that the [rules won't change until 2025](#). Further reforms to be introduced include the ability to [apply to remove personal details](#) from the register, and the move to require all companies to submit their documents [using specific software](#).

Cost of reform

The [Government pledged a total of £63 million to support the reform of Companies House](#) between 2022-23 and 2024-25, around £20 million per year. Companies House will also keep the additional funding from the increased fees since 1 May 2024. Despite this, Kathryn Westmore of think-tank Rusi, quoted in the Financial Times [subscription only], has [argued that not enough resources are available to effectively reform the system](#).

In its 2022 impact assessment accompanying the ECCTA, the [Government forecast the total cost of the reforms to business to be £289 million](#). They forecast the costliest individual measure to be the costs of company directors having to understand and undertake identity verification. The Department forecast that the estimated value of the improved accuracy of the register would more than offset the additional costs to business.

Outstanding challenges

Despite the significant reforms to Companies House, financial crime and tax campaigner Dan Neidle [argues that not enough has been done to prevent abuse of the regime](#). The financial crime expert Graham Barrow states in the Financial Times [subscription only] [that identity verification will not necessarily prevent financial crime](#). He points out that banks have long carried out anti-money laundering verification checks, without successfully blocking criminals' access to the financial system.

1 Companies House

Companies House is an executive agency of the Department for Business and Trade, employing around 1000 people in offices in Cardiff, Edinburgh and Belfast. It was established in 1844 by the Joint Stock Companies Act of the same year.¹ The main responsibilities of Companies House are to:

- incorporate and dissolve limited companies
- examine and store company information
- make information available to the public.²

[The Companies Act 2006](#) is the primary source of legislation governing the requirements for UK companies and giving powers to Companies House through the registrar.³ It requires all UK incorporated companies to regularly submit their statutory filings to Companies House.⁴ In 2022, this data was accessed over 12 billion times.⁵

Box 1 below provides a short overview of publicly available information on the UK company register.

1 Searching the company register

The company register, maintained by Companies House, is accessible online on the [Government website](#). It can be searched by company name, company number or company officer, meaning director or company secretary.

The register contains information about each UK company including:

- Registered address,
- Company type and status,
- Incorporation date,
- Nature of business and standard industrial classification (SIC) code,

¹ Companies House, [What is Companies House?](#), 3 July 2018

² Companies House, [About us](#), (accessed 4 March 2024)

³ [Companies Act 2006](#)

⁴ [Companies Act 2006](#), s441

⁵ Companies House, [Companies House business plan 2023 to 2024](#), 12 July 2023, introduction

- Registered company officers, their role in the company, correspondence address, date of birth, nationality and country of residence, appointment date and occupation,
- People with significant control, and
- Financial accounts and full filing history.

1.1

Company registers: some background

Before the 1844 Joint Stock Companies Act, no central register of companies existed in the UK, and companies could only be incorporated by legislation in Parliament, or through letters patent issued by the monarch.⁶ These early companies, created through legislation or letters patent, were predominantly set up to raise funds for large commercial infrastructure projects during the 19th Century, such as railway and canal building.⁷

Incorporation to the company register was introduced to facilitate private capital investment more quickly and efficiently than passing legislation for each individual company formation.⁸ Enabling company registration without the need for legislation made incorporating cheaper and more flexible, and helped facilitate significant private investment.⁹

Information on the UK company register has been publicly available and centrally held since inception.

The basic idea was that centrally held and public information about companies enables investors to perform due diligence and prevents companies misleading the public. In turn, this inspires greater confidence in companies, driving investment, and ultimately economic growth.

In 2019, the total value of this public information was estimated at between £1 and £3 billion, according to a report commissioned by the Department for Business, Energy, and Industrial Strategy (now the Department for Business and Trade) and Companies House.¹⁰ The report found that direct users of Companies House data, such as companies, creditors, and investors, each received an annual benefit of £2000 per year.¹¹

⁶ Westlaw UK, Eva Lomnicka, [Companies: ultra vires](#) (subscription required), March 2018, para. 5

⁷ Westlaw UK, Wendy Steel, [Corporate personality](#) (subscription required), February 2020, para. 10

⁸ Westlaw UK, Wendy Steel, [Corporate personality](#) (subscription required), February 2020, para. 11-13

⁹ As above.

¹⁰ Department for Business, Energy and Industrial Strategy and Companies House, [Valuing the user benefits of Companies House data](#), 27 September 2019, p.4

¹¹ As above, p.4.

1.2 Transparency

According to academic Rachel Brett, the UK company register provides greater transparency and access to company information than many other countries' regimes.¹² The UK system is centralised and fully searchable online. In comparison, some countries, such as Switzerland, register companies regionally via local company registries, which are not centrally searchable.¹³ The European Union launched the Business Registers Interconnection System in June 2017, which includes company information from all EU member states.¹⁴

Although all EU companies are now centrally searchable, the level of information provided varies between states. The UK offers free centralised access to more information from the companies register compared to many EU states. According to analysis from the Transparent Data blog, only Denmark, Czechia and Poland provide more information for free.¹⁵ By comparison, in the USA the level of information available varies according to State law and in many cases detailed disclosure is optional.¹⁶

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) gave Companies House the power to mandate the format in which companies file their accounts.¹⁷ Currently, companies can choose to file accounts through numerous web-based systems, via HMRC, or in paper format. The numerous formats can make documents on the register inconsistent, and difficult to search.¹⁸

Over the next two to three years, Companies House intends to switch to software only filing, meaning all companies will need to file their documents using specific software, rather than the current system allowing multiple filing options. They state that the change will make information easier to access, search and analyse, whilst improving the transparency, traceability, and validation of accounts filings.¹⁹ Chapter 3 of this briefing has more information on the changes.

¹² Rachel Brett, "[Searching International Company Registries Online](#)," Legal Information Management 15, no. 3 (2015): 172-177, p172 (subscription required)

¹³ In Switzerland, the central registry only holds limited information and local registries must be contacted for full company details; Rachel Brett, "[Searching International Company Registries Online](#)," Legal Information Management 15, no. 3 (2015): 172-177, p.173 (subscription required)

¹⁴ Zeljka Breges & Tina Jakupak, "[Digitalization of Business Register](#)", Inter EU Law East, (2017): 91-191.

¹⁵ Transparent Data, [European business registers — comparison of registry data on foreign companies](#), September 2021

¹⁶ Companies House, [Overseas registries](#), updated 5 June 2018, 9 Registries in the United States of America

¹⁷ [Economic Crime and Corporate Transparency Act 2023](#), s75

¹⁸ Minister of State (Department for Business and Trade), Kevin Hollinrake discussed the need to improve the search function of the register during a debate in January 2023: [HC Deb 24 January 2023 \[Economic Crime and Corporate Transparency Bill\]](#)

¹⁹ Companies House, [Changes to accounts, part 1: moving to software-only filing](#), 10 February 2023

1.3 Companies House corporate information

The Chief Executive of Companies House is also the Registrar of Companies for England and Wales. [Part 35 of The Companies Act 2006](#) sets out the powers and functions of the Registrar of Companies.²⁰ Primarily, the Registrar is legally responsible for registering and dissolving companies, accepting, publishing, and storing company records, and maintaining the publicly accessible companies register.²¹

In certain limited circumstances, the Registrar can amend the register to remove errors or inconsistencies, force companies to make changes and remove dissolved companies from the register.²² Until reforms were enacted on 4 March 2024, the Registrar largely relied upon third party notification to identify and address errors or false information submitted by companies.²³

The Economic Crime and Corporate Transparency Act 2023 introduced greater freedom for the Registrar of Companies to proactively investigate information submitted by companies, and to amend the register.²⁴ Chapter 3 of this briefing has more information about the recent reforms.

Companies House describe their role in promoting and maintaining transparent corporate reporting as giving confidence to the UK economy:

Entities that benefit from limited liability in exchange must comply with standards, transparency and accountability. This gives confidence to businesses, investors, society, consumers and the UK economy as a whole.²⁵

Companies House funds its service delivery through levying fees on companies, which are set on a cost recovery basis.²⁶ In financial year 2023-24, Companies House expect to spend £126 million on service delivery, which they expect to fully recoup through fees.²⁷

They have budgeted a total of £51.5 million (£33.4 million of day-to-day spending and £18.1 million of capital or investment spending) to spend outside their core services.²⁸

²⁰ [Companies Act 2006](#), ss1059A-1117

²¹ [Companies Act 2006](#), ss1059A-1117

²² [Companies Act 2006](#), ss1093-1098

²³ [Letter from the Minister for Enterprise, Markets and Small Business relating to the Economic Crime and Corporate Transparency Act](#), (PDF) 6 March 2024

²⁴ [Economic Crime and Corporate Transparency Act 2023](#), s105

²⁵ Companies House, [Companies House business plan 2023 to 2024](#), 12 July 2023, introduction

²⁶ Companies House, [Companies House business plan 2023 to 2024](#), 12 July 2023, Fees and funding

²⁷ As above.

²⁸ As above.

1.4

Companies House compliance and performance

Companies House's performance is monitored by independent adjudicators, who investigate complaints about Companies House and review appeals against late filing penalties issued by Companies House.²⁹

The independent adjudicators issue an annual report making recommendations and suggestions to improve efficiency and the fair treatment of customers.³⁰

Their 2023 report confirmed that all 15 recommendations made by the independent adjudicators in the year to 31 March 2023 were dealt with during the year and found Companies House were “efficient, responsive, thoughtful and helpful”.³¹

However, the report did include an outstanding recommendation from the year to 31 March 2022, where the independent adjudicators found that Companies House failed to improve compliance from directors to file dormant company accounts.

The adjudicators again recommend that Companies House take dynamic action to improve compliance by dormant and newly incorporated companies.

It is disappointing that in spite of a number of campaigns to raise directors' and prospective directors' awareness of their responsibilities and emphasis in advice that dormant companies must file annual accounts, there has been no change year on year.³²

The Register of Overseas Entities was launched in August 2022. All overseas entities which own UK land must declare their beneficial owners to Companies House, and file an annual update statement.³³ As of September 2023, over a year after registering became a legal obligation, the compliance rate was around 90%.³⁴

Companies House set themselves annual targets for the proportion of companies fulfilling their annual confirmation statement filing requirements.

²⁹ Companies House, [Independent adjudicators](#), updated 30 January 2024

³⁰ Companies House, [Annual report by the independent adjudicators to Companies House, 2022 to 2023](#), 16 August 2023, Introduction

³¹ Companies House, [Annual report by the independent adjudicators to Companies House, 2022 to 2023](#), 16 August 2023, Conclusion

³² Companies House, [Annual report by the independent adjudicators to Companies House, 2022 to 2023](#), 16 August 2023, Annex B

³³ [Economic Crime \(Transparency and Enforcement\) Act 2022](#), s3-8

³⁴ Companies House, [The Register of Overseas Entities: a step forward for corporate transparency](#), 26 September 2023

In the year ending 31 March 2023, they aimed for 97% of companies on the register to have filed a confirmation statement. Companies House achieved this target.³⁵

³⁵ Companies House, [Annual Report and Accounts 2022-23 \(PDF\)](#), page 12

2

Company incorporation

When a company is registered, it is known as ‘incorporation’. A company has a separate legal identity from the individuals who operate it. This is called the ‘veil of incorporation’. A company can enter legal contracts, be liable for debts, and hold assets in its own right, independently from its owners.³⁶

Businesses can also be set up as sole-trader or partnership businesses. Sole-trader and general partnerships do not have separate legal identities from their owners. However, certain types of partnerships do limit the liabilities of the partners. Box 2 below explains the differences.

2 Sole-traders and partnerships

When an individual starts a business without incorporating, they are acting as a sole-trader. In a sole-trader business, the individual running the business is not legally separate from the business. Therefore, the individual is personally responsible for all liabilities of the business. Any legal action against the business is against the individual.³⁷

There are 3 types of partnership in UK company law.

A general partnership is an unincorporated business which does not have a separate legal identity from the individual partners. Like a sole-trader, the partners of a general partnership are personally responsible for the liabilities of the business.

A business can also be incorporated as a limited liability partnership (LLP), which has a separate legal identity from the individual partners. Each member of a LLP pays income tax on their share of the profits, but isn't held personally liable for the LLP's debts.³⁸

The final type of partnership is a limited partnership (LP), where each limited partner contributes a sum of money as capital upon registering the LP. Each limited partner is liable for the LP's debts only to the value of their capital.³⁹

³⁶ Companies House, [Guidance Incorporation and names](#), updated 6 April 2022, 1.1

³⁷ GOV.UK, [Set up as a sole trader](#), (accessed 4 March 2024)

³⁸ Companies House, [Set up and run a limited liability partnership \(LLP\)](#), updated 1 April 2017,

³⁹ Companies House, [Register a limited partnership](#), updated 1 May 2024, 1

Both sole-traders and partners in a partnership must pay income tax on all profits, which can be a higher rate than the corporation tax owed by companies.⁴⁰

A business cannot operate as a UK limited company until it has been incorporated at Companies House under the Companies Act 2006.⁴¹ Incorporation is used to limit the owners' risks, hence the term 'limited' company. The owners of the company are not usually responsible for the company's liabilities meaning that their personal assets are usually protected if the company runs into financial or legal difficulty.

The most common type of company in the UK is a private company limited by shares.⁴² It means the company is owned by private shareholders, and Companies House must be informed whenever shares change hands. A private company limited by shares can be any size. There are no minimum or maximum requirements on value, turnover, profit or employee numbers to register as a private company limited by shares.

A public limited company (PLC) is a large company, with at least £50,000 of share capital on its balance sheet, which has listed its shares for sale on a stock exchange.⁴³ UK PLCs must follow more stringent reporting and governance rules than private companies. The shareholders of both private and public companies are protected from the risks to the company, as both private and public companies have separate legal identities from their shareholders.

There are certain tax advantages to setting up an incorporated company, compared with an unincorporated business. These advantages stem from differences in the tax treatment of income from employment, profits from self-employment, and corporate profits.⁴⁴ However, Natwest Business notes that 'overall, the tax advantages of using a limited company have been eroded over the years'.⁴⁵ Unincorporated business owners pay income tax on all business proceeds, whereas companies pay corporation tax on their profits. Income tax is then owed on dividends and salaries paid by the company to the owners.

Setting up a company or limited liability partnership comes with more legal responsibilities than operating a business as a sole-trader or a general partnership. Company directors have statutory duties as set out in the

⁴⁰ HMRC, [Self Assessment: detailed information](#), 12 February 2024

⁴¹ Companies House, [Guidance Incorporation and names](#), updated 6 April 2022, 1.1

⁴² Department for Business and Trade, [Business population estimates for the UK and regions 2023: statistical release](#), 5 October 2023, Figure 5

⁴³ [Companies Act 2006](#), ss761-763

⁴⁴ Stuart Adam and Helen Miller, [Taxing work and investment across legal forms: pathways to well-designed taxes](#), IFS, 26 January 2021

⁴⁵ Natwest Business, [Setting up a limited company: the pros and cons](#), 21 February 2022, republished 8 February 2024

[Companies Act 2006](#), including the obligation to file documents regularly with Companies House and personally guarantee their accuracy.⁴⁶

Directors can be held personally liable for failing to meet these responsibilities and can be fined, disqualified from acting as a director, or even imprisoned. Box 3 below provides more information about the responsibilities of directors.

3 Director's responsibilities

Directors have seven statutory duties set out in the Companies Act 2006:

- act within the company's constitution
- promote the success of the company
- exercise independent judgement
- exercise reasonable care, skill and diligence
- avoid conflicts of interest
- not to accept benefits from third parties
- declare interest in proposed transaction or arrangement.⁴⁷

2.1

Registration process

The process to incorporate a company is straightforward. The Government website states that “some people get help from a professional to set up a company, but you can set up a company yourself.”⁴⁸ [The Companies Act 2006](#) sets out the statutory process for company registration.⁴⁹

Steps to set up a company

Companies House break the process of registering a company into seven steps:

1. Decide on the type of company required.

⁴⁶ [Companies Act 2006](#), ss172-177

⁴⁷ [Companies Act 2006](#), ss172-177

⁴⁸ GOV.UK, [Set up a business](#), (accessed 4 March 2024)

⁴⁹ [The Companies Act 2006](#), ss9-13

2. Choose a company name. This forms the legal name of the company, but companies can use different trading or brand names for their day-to-day business activities.
3. Choose directors and a company secretary.
4. Decide who the shareholders are and identify the people with significant control over the company.
5. Prepare documents agreeing how to run the company, known as the articles of association. Companies House offer default documents which a company can use, known as ‘model articles’.
6. Check which records must be kept.
7. Register the company with Companies House.⁵⁰

As part of the registration process, companies must designate directors, a company secretary, shareholders and identify the people with significant control.

Directors

Directors are the individuals legally responsible for managing the company. To register as a director, the individual must be 16 or older, and not disqualified from being a director. There is no requirement to have a UK resident director, but all companies must have a UK registered office address.⁵¹

Directors are legally responsible for keeping company records, filing accurate and timely documents with Companies House including annual financial accounts and confirmation statements. They are also responsible for informing Companies House of changes to the company’s: ownership, addresses, company mortgages, people with significant control or the legal constitution.⁵²

Companies House publish certain director details on the public register:

- Name
- Nationality,
- Occupation,
- Month and year of birth

⁵⁰ GOV.UK, [Set up a limited company: step by step](#), accessed 4 March 2024

⁵¹ [Companies Act 2006](#), ss157-159A, see also: GOV.UK, Set up a limited company: step by step, [Set up a private limited company: Appoint directors and a company secretary](#), (accessed 4 March 2024)

⁵² [Companies Act 2006](#), ss171-177, see also: GOV.UK, Set up a limited company: step by step, [Running a limited company: your responsibilities: Directors' responsibilities](#), (accessed 4 March 2024)

- Correspondence address.⁵³

Company Secretary

The Companies Act 2006 changed the law to make the position optional for private companies from 2008.⁵⁴ Prior to 2008, all companies were obliged to have a company secretary.⁵⁵

It remains mandatory for public companies to have a company secretary.

Some companies choose to register their company secretary to take on some of the directors' responsibilities. The company secretary can also be a director, but cannot be the company's auditor, or an individual who is bankrupt. If a company has a company secretary, the directors retain legal responsibility for the company.⁵⁶

Shareholders

Most private companies are 'limited by shares'. This means they are owned by shareholders who have certain rights, usually including the right to vote on changes to the company and demand an audit of the financial accounts. The rights and identity of shareholders are determined on incorporation and submitted to Companies House through the 'statement of capital'. Companies limited by shares must issue at least one share to at least one shareholder. There are no upper limits. Companies can be formed with multiple 'classes' of share, each with different rights, such as different shares of dividends, or numbers of votes.⁵⁷

Companies limited by guarantee

Some companies don't have shares or shareholders and are 'limited by guarantee' instead. Companies limited by guarantee must have a guarantor who promises to pay a guaranteed amount to the company if it cannot cover its liabilities. Companies limited by guarantee are not usually commercial, for-profit businesses. They are usually more suitable for non-profit organisations such as clubs or community groups, or organisations which regularly change membership.⁵⁸

⁵³ Companies House, [Guidance, Your personal information on the Companies House register](#), updated 30 November 2023

⁵⁴ [Companies Act 2006](#), s270

⁵⁵ Institute of Directors, [The role of the company secretary](#), 14 December 2017

⁵⁶ [Companies Act 2006](#), s270, see also: GOV.UK, Set up a limited company: step by step, [Set up a private limited company: Appoint directors and a company secretary](#), (accessed 4 March 2024)

⁵⁷ [Companies Act 2006](#), ss540–548. See also: GOV.UK, Set up a limited company: step by step, [Set up a private limited company: Shareholders and guarantors](#), accessed 4 March 2024

⁵⁸ Practical Law, [Companies limited by guarantee](#) (subscription only), accessed 4 March 2024

Articles of association

All companies must have an agreed constitution setting out how the company will run. This document is called the articles of association, and it must be filed with Companies House upon registering a company. Companies can draft their own articles of association, or adopt the default version provided by Companies House, known as ‘model articles’. The articles govern how the company must be run and are enforceable by law.⁵⁹

People with significant control

People with significant control (PSCs), or ‘beneficial owners’ are individuals who control or own a company. Usually, an individual would be classified as a PSC if they hold more than 25% of the company’s shares or voting rights, or if they have the right to appoint or remove the majority of the directors. The articles of association allocate the rights of shareholders.⁶⁰ Individuals who influence or control the company through other means regardless of their shareholding can sometimes also be PSCs.⁶¹ Examples of influencing the company without a majority shareholding include holding the right to veto key decisions, amend business plans, or prevent the company taking on additional borrowing.⁶²

Every company must keep a register of their PSCs, including personal information about their PSCs, and make it publicly available upon request.⁶³

Companies can elect to keep their PSC information at Companies House instead, providing no PSC objects. Companies House publish all PSC information, including their full date of birth, but excluding their home address.

The requirement for companies to keep a register of their PSCs was introduced in 2016.⁶⁴ The Economic Crime (Transparency and Enforcement) Act 2022 introduced a similar regime for the ownership of land in the UK. The Act requires any overseas entity that wishes to own UK land to take steps to identify their beneficial owner and to register them with Companies House.⁶⁵ It also imposes a duty on overseas entities to update the information provided to the register annually.⁶⁶

⁵⁹ [Companies Act 2006](#), s18. See also: GOV.UK, Set up a limited company: step by step, [Set up a private limited company: Memorandum and articles of association](#), accessed 4 March 2024

⁶⁰ GOV.UK, Set up a limited company: step by step, [People with significant control \(PSCs\)](#), (accessed 4 March 2024)

⁶¹ GOV.UK, [Guidance, “PSC requirements for companies and limited liability partnerships”](#), updated 15 February 2018

⁶² DBT, [Company statutory guidance for the PSC register](#) (PDF), p5

⁶³ [Companies Act 2006](#), s790A-790VA

⁶⁴ [Companies Act 2006](#), s790M

⁶⁵ [Economic Crime \(Transparency and Enforcement\) Act 2022](#), s3-8

⁶⁶ [Economic Crime \(Transparency and Enforcement\) Act 2022 Explanatory Notes](#) (PDF), para 8

For more information about PSCs, see the House of Commons Library briefings [Registers of beneficial ownership](#) (April 2022), and [The Register of Overseas Entities: Five things you need to know](#) (June 2022).⁶⁷

2.2

Ease of the incorporation process

The Minister for Enterprise, Markets and Small Business, Kevin Hollinrake outlined the Government's desire to ensure that the incorporation process in the UK is easy in a 2023 debate:

We are keen to make sure that it is quick, easy and affordable to start up a company in this country.

(...) We also want to make sure that the UK is the best place in the world to do business, and that we do not interfere with people's ability to start up and scale their business.⁶⁸

According to the World Bank, the UK is one of the easiest places in the world to register a company.⁶⁹ World Bank data from 2021 ranked the UK first in the world in both the number of limited company registrations and new annual registrations, although the data excluded several major economies (notably the United States).⁷⁰

There were more than 5.2 million UK registered companies at the end of December 2023.⁷¹ For comparison, there were 0.7 million in Germany, 1.8 million in Italy, and 1.5 million in India at the end of 2021.⁷²

The ease with which companies can be registered in the UK means that large numbers of companies are incorporated each year. 900,000 new companies were incorporated in 2023, which was a 12% increase on 2022.⁷³

Until 1 May 2024, the fee to incorporate a company online was £12, or £40 by post.⁷⁴ Companies House fees are set on a cost recovery basis, meaning the incorporation fee must cover the costs incurred by Companies House in incorporating the company.⁷⁵ Companies House fees increased on 1 May 2024

⁶⁷ House of Commons Library, [Registers of beneficial ownership - House of Commons Library](#), April 2022; House of Commons Library, [The Register of Overseas Entities: Five things you need to know](#), June 2022

⁶⁸ [HC Deb 14 June 2023 \[Insolvency Law and Director Disqualifications\]](#)

⁶⁹ The UK ranked 6 out of the 34 OECD High Income countries for ease of starting a company, World Bank, [Ease of Doing Business rankings](#), 2020

⁷⁰ [World Bank Entrepreneurship Database](#), 2023

⁷¹ Companies House, [Incorporated companies in the UK October to December 2023](#), 25 January 2024

⁷² [World Bank Entrepreneurship Database](#), 2023

⁷³ ["Records broken at Companies House in year of 'creative destruction'"](#), The Times, 12 February 2024 (subscription required)

⁷⁴ Companies House, [Companies House fees](#), updated 30 November 2023

⁷⁵ Companies House, ["Changes to UK company law: a big moment for Companies House"](#), 26 October 2023

to £50 for online incorporation, or £71 by post.⁷⁶⁷⁷ Despite this, Companies House state that the increased fees remain some of the lowest in the world.⁷⁸ For comparison, the average cost of registering a limited company in the European Union in 2018 was 300 euros (around £260).⁷⁹

As companies can be incorporated entirely online, the process can be completed quickly. The Department for Business and Trade highlights the fact that a private limited UK company can be set up in just 24 hours.⁸⁰ In 2015, the Government announced the Streamlined Company Registration Service, which allows companies to register for corporation tax and HMRC's digital services at the same time as registering with Companies House.⁸¹

There is currently no requirement for directors to verify their identities, or their addresses, before setting up a company. There is also no requirement to have a UK based director or shareholder when setting up a company.⁸²

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) introduced powers for Companies House to require identification and address verification. The rules are expected to change in 2025.⁸³ The ECCTA also introduced more investigative powers for Companies House which came into force from 4 March 2024.⁸⁴ Chapter 3 of this briefing has more information.

2.3

Is it too easy to incorporate?

The Financial Times argues that it is too cheap and easy to set up UK companies.⁸⁵ The UK companies register contained around 5.2 million companies in December 2023.⁸⁶ At the start of 2023, the Department for Business and Trade estimated that there were only 2.1 million companies actively trading.⁸⁷

⁷⁶ GOV.UK, "[Companies House fees increasing from 1 May 2024](#)", accessed 4 March 2024

⁷⁷ Companies House, "[Changes to Companies House fees](#)", accessed 4 March 2024

⁷⁸ Companies House, "[Changes to UK company law: a big moment for Companies House](#)", 26 October 2023

⁷⁹ Statista, "[Average cost of registering a private-limited company in European Union countries in 2018](#)", February 2023

⁸⁰ Department for Business and Trade, "[Register a company in the UK](#)", accessed 4 March 2024

⁸¹ GOV.UK, "[Helping hand to set up new businesses](#)", 4 January 2019

⁸² Department for Business and Trade, "[Register a company in the UK](#)", accessed 4 March 2024

⁸³ [PQ 14249 \[Companies: Disclosure of Information\], 26 February 2024](#)

⁸⁴ Companies House, "[Improving the accuracy of the Companies House register](#)", 14 February 2024

⁸⁵ "[It is too cheap and easy to set up UK companies](#)", Financial Times, 12 February 2024 (subscription required)

⁸⁶ Companies House, "[Incorporated companies in the UK October to December 2023](#)", 25 January 2024, chapter 2

⁸⁷ Department for Business and Trade, "[Business population estimates for the UK and regions 2023: statistical release](#)", 5 October 2023, Figure 5

Shell companies

Shell companies are registered companies with no significant assets or operations, often without employees or offices.⁸⁸ There are legitimate reasons to set up shell companies, often for use in managing complex financial transactions. Shell companies can be used to raise financing, allow a business to register a legal presence in a specific jurisdiction, or act as a legal vehicle to facilitate the purchase of a business.⁸⁹

Shell companies can, however, be used for illegal or unethical practices. Financial risk assessment firm Moody's highlights their potential to facilitate illicit activities:

[...] these legal instruments can be abused by bad actors to launder money gained through illicit activities, such as trafficking and environmental crime. They can create a mask for sanctioned individuals to disguise their business ownership, and they can hide financial crimes, such as tax evasion, fraud, and bribery.⁹⁰

Shell companies gained widespread coverage and prominence in 2016, as a result of the "Paradise papers" scandal.⁹¹ A large amount of data about the hidden financial holdings of wealthy individuals was released, raising concerns about the widespread use of shell companies to conceal wealth.

Moody's found that globally the UK has the highest number of companies displaying behaviours which they found to be commonly associated with shell companies.⁹² They point to how "incredibly fast and cheap" a company can be set up in the UK as a key reason for attracting shell companies.

In February 2024, the Chair of the House of Commons Business and Trade Select Committee, Liam Byrne (Lab), pointed to the use of shell companies in enabling the evasion of sanctions against Iran.⁹³ In the same letter, he also highlighted a "broader pattern of abuse of UK-based corporate vehicles, including those linked to fraud, terrorism and money laundering".

The Minister for Enterprise, Markets, and Small Business responded, stating that Companies House has not to date assessed the scale of shell companies'

⁸⁸ Practical Law, [Glossary "Shell company"](#), accessed 4 March 2024

⁸⁹ "[The secretive and morally dubious world of shell companies](#)", *The Economist*, 7 April 2016

⁹⁰ Moody's, [Detecting signals from the noise: Moody's Shell Company Indicator](#), 22 January 2024, introduction

⁹¹ More information is available in the House of Commons Library debate pack published ahead of a debate on the scandal in November 2017: House of Commons Library "[The Paradise Papers](#)", 14 November 2017

⁹² Moody's, [Detecting signals from the noise: Moody's Shell Company Indicator](#), 22 January 2024, Part III

⁹³ [Letter from the Chair to the Minister for Enterprise, Markets and Small Business relating to tackling economic crime](#) (PDF), 07 February 2024

involvement with sanctions evasion. He stated that Companies House will assist investigations into any occurrences.⁹⁴

Fraudulent companies

Prior to the introduction of identity verification checks expected in 2025, no checks are performed to confirm the identity of directors or their right to register a company address.⁹⁵

The light-touch approach to company registration has led to significant allegations of fraud, and false information on the UK company register.⁹⁶ The Observer quoted experts that claimed that in March 2022, as much as 20% of company data on the UK company register may have been false.⁹⁷

For example, in late 2023, forty-eight companies registered to Chinese nationals were registered to unconnected residential addresses in one street in Swansea.⁹⁸ Alison Thewliss (SNP) raised concerns about these fraudulent registrations during a debate about cyber-security and UK democracy: “companies are being incorporated using stolen UK credentials, from UK addresses, streets at a time.”⁹⁹

In early 2024, the Times reported that “anyone can register a company from anywhere in the world, making it easy for people to set up fake businesses”.¹⁰⁰ Financial crime expert Graham Barrow told the BBC that fraudsters set up multiple fake companies to either launder money or to obtain bank accounts to take out loans.¹⁰¹

Chapter 3 of this briefing paper explains the Economic Crime and Corporate Transparency Act 2023 reforms, which are designed to protect the integrity of the register of the UK companies register.¹⁰²

The House of Commons Library article, [Companies House FAQs: address fraud, correcting the register](#), explains how individuals can apply to remove

⁹⁴ [Letter from the Minister for Enterprise, Markets and Small Business relating to the Economic Crime and Corporate Transparency Act](#), (PDF) 6 March 2024

⁹⁵ [“Fakers, fast sign-ups and fraud: the crisis at the UK’s Companies House”](#), The Observer, 3 December 2022

⁹⁶ [“Erroneous’ filings highlight flaws in Companies House data”](#) Financial Times (subscription required), 4 March 2024

⁹⁷ [“Fakers, fast sign-ups and fraud: the crisis at the UK’s Companies House”](#), The Observer 3 December 2022

⁹⁸ [“Welcome to scam street: How 18 households on a very ordinary Swansea road found mysterious Chinese firms registered at their addresses”](#), This Is Money (subscription required), 22 February 2024

⁹⁹ [HC Deb 25 March 2024 \[Cyber-security and UK Democracy\]](#)

¹⁰⁰ [“I’m a company director — of a business I’ve never heard of”](#), The Times, 14 January 2024

¹⁰¹ [“The leafy street in Leigh-on-Sea that 80 sham firms call home”](#), BBC, 14 September 2023

¹⁰² PQ 14249 [on Companies: Disclosure of Information], 16 February 2024

fraudulently registered addresses, and provides more detail about the issue.¹⁰³

¹⁰³ House of Commons Library, [Companies House FAQs: address fraud, correcting the register](#), 25 January 2024

3

Changes and reforms

The Economic Crime and Corporate Transparency Act (ECCTA) 2023 was granted royal assent on 26 October 2023.¹⁰⁴ The ECCTA followed earlier economic crime legislation, the Economic Crime (Transparency and Enforcement) Act 2022, which was fast-tracked through Parliament in March 2022 in response to the Russian invasion of Ukraine.¹⁰⁵

A key component of the 2023 ECCTA was to reform the powers of Companies House to increase the accuracy of information on the UK company register.

Before the passing of the ECCTA, the Company Registrar had very limited power to make changes to information on the register. For instance, if no complaints were received, the Company Registrar could not challenge the content of company filings, as long as the forms were administratively correct.¹⁰⁶

Company officers and people with significant control had no obligation to verify their identities or addresses, and no supporting evidence was required when filing information.¹⁰⁷

Significant reforms to the registration process, including the verification of addresses submitted to the register and the power to remove incorrect addresses more quickly were introduced by the ECCTA.

New objectives for the Registrar

Prior to the ECCTA, the Registrar's role was to register company information and make it available for public inspection. There was no legal objective for the Registrar to ensure accuracy or prevent crime and misleading company filings.¹⁰⁸

The ECCTA introduced statutory objectives for the Registrar of Companies, which the Registrar must seek to promote.¹⁰⁹ The Companies Act 2006 was amended to include the 4 objectives:

¹⁰⁴ [Economic Crime and Corporate Transparency Act 2023](#)

¹⁰⁵ [Economic Crime \(Transparency and Enforcement\) Act 2022](#)

¹⁰⁶ GOV.UK, [Factsheet: the role and powers of the Registrar of Companies](#), updated 26 October 2023

¹⁰⁷ Companies House, Economic Crime and Corporate Transparency Act 2023 Factsheet: [The role and powers of the Registrar of Companies](#), 29 February 2024

¹⁰⁸ [Companies Act 2006](#), s1059A shows that prior to the introduction of s1081A, there were no Registrar 'objectives' promoting accuracy, or crime prevention.

¹⁰⁹ [Economic Crime and Corporate Transparency Act 2023](#), s1

- Objective 1 is to ensure that any person who is required to deliver a document to the registrar does so (and that the requirements for proper delivery are complied with).
- Objective 2 is to ensure that information contained in the register is accurate and that the register contains everything it ought to contain.
- Objective 3 is to ensure that records kept by the registrar do not create a false or misleading impression to members of the public.
- Objective 4 is to prevent companies and others from carrying out unlawful activities, or facilitating the carrying out by others of unlawful activities.¹¹⁰

3.1 First reforms enacted from 4 March 2024

The first reforms to Companies House and company registration introduced by the ECCTA came into effect on 4 March 2024. These included the powers for the registrar to query and remove misleading information, strengthening the requirement for all companies to register an ‘appropriate address’, introducing the requirement for companies to provide an email address, and increased powers for Companies House over company names.

The Government passed the statutory instruments required to enact the appropriate address rules on 26 February 2024.¹¹¹ The statutory instruments implemented the new company and company officer address requirements, email address requirements, and created a criminal offence for companies and their officers who fail to provide an appropriate address.¹¹²

Querying and removing information

Since 4 March 2024, Companies House has had the power to proactively query information on the register. Companies House can now request supporting evidence from companies to support the information being filed.¹¹³

Then Minister for Enterprise and Markets, Dean Russell, explained that this was intended to make it easier to remove fraudulent information from the register, particularly the use of unconnected residential addresses to register companies:

¹¹⁰ [Companies Act 2006](#), s1081A

¹¹¹ [The Limited Liability Partnerships \(Application of Company Law\) Regulations 2024](#), SI 2024/234; [The Service Address \(Rectification of Register\) Regulations 2024](#), SI 2024/235; [The Principal Office Address \(Rectification of Register\) Regulations 2024](#), SI 2024/236; [The Registered Office Address \(Rectification of Register\) Regulations 2024](#), SI 2024/233

¹¹² [The Registered Office Address \(Rectification of Register\) Regulations 2024](#), regulation 21

¹¹³ [Economic Crime and Corporate Transparency Act 2023](#), s105

measures in the Bill will help the registrar remove fraudulent information, including the addresses of innocent people, without burdening those people with so much process. We heard concerns from across the House about the challenges of the registration of false businesses and the problem of not being able to do anything about that; the Bill will solve these issues.¹¹⁴

Despite the significant new powers to query and investigate information, Companies House acknowledge that the new powers won't stop all fraudulent reporting as they cannot guarantee all false information will be identified:

Our powers to query information will not necessarily stop false, misleading or incorrect information being accepted and published on the register, as this type of activity is not always obvious. However, we can still ask for more information and supporting evidence after the information has been published.

(...) Once we identify false, misleading or incorrect information, we'll be able to remove it more quickly than we can at the moment. We'll also have more powers to share information with law enforcement agencies and other government departments from 4 March 2024.¹¹⁵

Enhanced data sharing

The ECCTA enhanced the ability of Companies House to share information with law enforcement agencies.¹¹⁶ The Act amended the Companies Act 2006 to permit the Registrar to disclose any information they hold to other public bodies.¹¹⁷ Before the reform, the Registrar could only provide dates of birth and residential addresses to specific bodies when requested.

The Minister for Enterprise, Markets and Small Business, Kevin Hollinrake explained that a new intelligence hub will help identify economic crime on the register:

Companies House's new intelligence hub will also strengthen the registrar's role in fighting organised crime. The hub will use data science to identify patterns and threats of economic crime on the register.¹¹⁸

Appropriate address requirements

Section 28 of the ECCTA makes it an offence for a company not to have an 'appropriate address' as its registered office.¹¹⁹ An 'appropriate address' is one where:

¹¹⁴ [HC Deb 13 October 2022 \[Economic Crime and Corporate Transparency Bill\]](#), col 336

¹¹⁵ Companies House, [Improving the accuracy of the Companies House register](#), 14 February 2024

¹¹⁶ [Economic Crime and Corporate Transparency Act 2023](#), s94

¹¹⁷ [Companies Act 2006](#), s1110F

¹¹⁸ [HC Deb 14 March 2024 \[Draft Economic Crime and Corporate Transparency Act 2023 \(Consequential, Supplementary and Incidental Provisions\) Regulations 2024\]](#)

¹¹⁹ [Economic Crime and Corporate Transparency Act 2023](#), s28

- a document addressed to the company, and delivered there by hand or by post, would be expected to come to the attention of a person acting on behalf of the company, and
- the delivery of documents there is capable of being recorded by the obtaining of an acknowledgement of delivery.

Companies are no longer permitted to register a company using a PO Box as a registered address.¹²⁰

Email address requirements

Section 29 of the ECCTA created the requirement for all companies to provide an “appropriate” email address to Companies House.¹²¹ The law took effect from 4 March 2024. Company email addresses will be used for private correspondence with Companies House and won’t be made public.

Failure to register an “appropriate” email address (meaning an address where documents would be expected to be received) has become a criminal offence and would be committed by the company and every responsible officer. Existing companies will need to provide such an email address alongside their next confirmation statement (previously called an annual return).

Company names

Sections 8 to 22 of the ECCTA introduced stricter restrictions on the naming of companies and gave Companies House more powers to force companies to change their registered names.¹²²

Under the new powers, Companies House can reject an application to register a company name if they believe that the name is intended to facilitate fraud, the name contains computer code, or the name gives the false impression the company is connected to a foreign government.¹²³ Since the new rules were enacted on 4 March 2024, Companies House has the power to direct a company in breach of the rules to change its name, and failing to comply has been made an offence.¹²⁴

¹²⁰ [“Businesses must give full address as Companies House fights fraud”](#), The Times (subscription required) 5 March 2024

¹²¹ [Economic Crime and Corporate Transparency Act 2023](#), s29

¹²² [Economic Crime and Corporate Transparency Act 2023](#), ss8-22

¹²³ As above, ss 17-19

¹²⁴ As above, s20

3.2

Future reforms

Identity and address verification

The ECCTA introduced powers for Companies House to require identity and address verification for the directors and People with Significant Control of all UK companies. Once in force, relevant individuals will need to verify their identities and company addresses either directly with Companies House, or with an authorised corporate service provider (ACSP), such as a solicitor.¹²⁵

Minister for Enterprise, Markets and Small Business, Kevin Hollinrake confirmed that Companies House will build a service to register third parties as ACSPs. He confirmed that building the ACSP registration service, and working with the Government Digital Service to develop the Companies House identification verification system requires “significant development of Companies House systems and processes”.¹²⁶

Secondary legislation will be required to enact the verification requirements. Companies House have not given a target date.¹²⁷ However, the Government did confirm that identity verification checks would be implemented “during 2025”.¹²⁸

Concerns have been raised about the additional cost and administrative burden of implementing verification checks on small companies.¹²⁹ Companies House have stated that they expect verification, in general, to be a one-off requirement, and that directors will be verified “in minutes”.¹³⁰

Removal of personal information

Individuals will be able to apply to Companies House to remove personal details from historic documents on the register. Personal information eligible for removal from historic documents will include residential addresses, dates of birth, signatures, and business occupations.¹³¹ Individuals at risk of physical harm or violence as a result of their personal information being on the public register will be able to apply to have their personal information removed from public view.

¹²⁵ Companies House, Economic Crime and Corporate Transparency Act 2023 Factsheet: [identity verification and authorised corporate service providers](#), 29 February 2024

¹²⁶ [Letter from the Minister for Enterprise, Markets and Small Business relating to the Economic Crime and Corporate Transparency Act](#), (PDF) 6 March 2024

¹²⁷ Companies House, “[Improving the accuracy of the Companies House register](#)”, 14 February 2024

¹²⁸ PQ 14249 [on [Companies: Disclosure of Information](#)], 16 February 2024

¹²⁹ “[Here are the new powers for Companies House that come into force today](#)”, City AM, 4 March 2024

¹³⁰ GOV.UK, [Factsheet: identity verification and authorised corporate service providers](#), 26 October 2023

¹³¹ [Economic Crime and Corporate Transparency Act 2023](#), s91. Also see Companies House, [Protecting your information - Changes to UK company law Protecting your information](#), 29 February 2024

Secondary legislation will be required to introduce the changes, and Companies House have stated that expect these to come into force over the next two years.¹³²

Filing of accounts by software only

[Section 75 of the ECCTA](#) amended [the Companies Act 2006](#) to give the power to mandate the electronic delivery of documents to the Registrar rather than the Secretary of State.¹³³¹³⁴

Using the new powers to mandate electronic delivery, Companies House will mandate all companies file their accounts using specific software over the next two to three years.¹³⁵ They claim that the new system will be more secure, efficient and traceable.

Companies House have confirmed that the change will remove the option to use the free web-based option which allows companies to file accounts with HMRC and Companies House simultaneously. Instead, companies will need to submit their accounts separately, described by Companies House as one extra click.

The new filing rules will require all companies to use commercial software, which may not be free.¹³⁶ Companies House responded to a question on their blog explaining that only some companies will have access to free software options:

There are free options available for some companies and we will support businesses by signposting them to the software options that match their needs.¹³⁷

¹³² Companies House, [Protecting your information - Changes to UK company law Protecting your information](#), 29 February 2024

¹³³ [Economic Crime and Corporate Transparency Act 2023](#), s75

¹³⁴ [Companies Act 2006](#), s1068

¹³⁵ Companies House, [Changes to accounts - Changes to UK company law](#), 29 February 2024

¹³⁶ Companies House, [Changes to accounts, part 1: moving to software-only filing](#), see comment from Companies House Digital Content Manager on 22 February 2023.

¹³⁷ Companies House, [Changes to accounts, part 1: moving to software-only filing](#), see comment from Companies House Digital Content Manager on 3 March 2023.

4 Issues and criticisms

4.1 Limited resources

Financial crime expert Graham Barrow has been highly critical of Companies House and stated that a lack of resources limits the effectiveness of the reforms:

an organisation that is not fit for the 21st century and is now looking to drag itself into the 21st century by its bootstraps but without the necessary financial and human resources to do so.¹³⁸

Cost of reform

The Government pledged a total of £63 million to support the reform of Companies House between 2022-23 and 2024-25, around £20 million per year.¹³⁹ This total does not include the additional funding expected to be provided by the increase in fees from 1 May 2024, as Companies House keeps its income to pay for service delivery. Companies House have not released a forecasted impact of the increased fees from 1 May 2024.

Minister for Enterprise, Markets and Small Business, Kevin Hollinrake stated that Companies House estimate the cost of launching the identity verification service and building the registration service for third party identification providers to be £23 million.¹⁴⁰ No further costings of the elements of reform have been published.

The New Statesman pointed out in 2022, that the £20 million annual investment in Companies House reform was equal to around 0.001 per cent of money laundered globally per year.¹⁴¹

Kathryn Westmore of think-tank Rusi claims that effective reform would cost at least five times more than the £20 million allocated for reform:

¹³⁸ [“Erroneous’ filings highlight flaws in Companies House data”](#), Financial Times (subscription required), 4 March 2024

¹³⁹ HM Treasury, [Autumn Budget and Spending Review 2021: A Stronger Economy for the British People](#) (PDF), 4.73

¹⁴⁰ [Letter from the Minister for Enterprise, Markets and Small Business relating to the Economic Crime and Corporate Transparency Act](#), (PDF) 6 March 2024

¹⁴¹ [“Why kleptocrats and money launderers love Companies House”](#), New Statesman, 22 March 2022

Experts also worry that the £20 million earmarked to revamp Companies House is not enough. A proper clean-up, using technology-based controls, would cost at least five times as much.¹⁴²

Cost to business

The original impact assessment carried out by the then Department for Business, Energy and Industrial Strategy (now Department for Business and trade), forecast the total cost of the reforms to business to be £289 million.¹⁴³ The annual direct cost for businesses was estimated at £18.9 million.¹⁴⁴

The costliest individual measure was estimated to be the costs to businesses of officers on the register having to understand and undertake identity verification. This was estimated to cost between £88 million and £241 million.¹⁴⁵ The Department forecast that the estimated value of the improved accuracy of the register would more than offset the additional costs to business.¹⁴⁶

¹⁴² [“It is too cheap and easy to set up UK companies”](#), Financial Times (subscription required), 12 February 2024

¹⁴³ Department for BEIS, [Economic Crime and Corporate Transparency Bill, BEIS Impact Assessments](#) (PDF), September 2022, p4

¹⁴⁴ As above.

¹⁴⁵ As above, p8 and 96.

¹⁴⁶ Department for BEIS, [Economic Crime and Corporate Transparency Bill, BEIS Impact Assessments](#) (PDF), September 2022, p4

4.2

Risk of fraud despite reform

Despite the significant reforms to Companies House, some argue that not enough has been done to prevent abuse of the regime. Financial crime and tax campaigner Dan Neidle states that although the ECCTA reforms “will end some of the frauds and loopholes, but not others”.¹⁴⁷

Company names

Since 4 March 2024, Companies House have stronger powers to prevent companies using names intended to facilitate fraud.¹⁴⁸ However, there are strict rules on registering company names which pre-date the ECCTA.

A company name cannot be the same as another registered company’s name. If two company names are so similar, they are likely to confuse the public as to which company is which, then they are treated as if identical. In these cases, the new company should not be permitted to register the name.¹⁴⁹

In practice, there are reported examples of fraudulent companies being registered with names essentially identical to existing companies, despite the law.¹⁵⁰ In January and February 2024, it was reported by the BBC that over 750 fake companies were registered with almost identical names to existing restaurants.¹⁵¹

Companies House’s new powers are reactive

Since the first reforms implemented on 4 March 2024, Companies House have the power to independently and immediately remove details if they are satisfied that the details are not correct.¹⁵² However, this power is reactive as it relies on identifying false or suspicious information after it is submitted to Companies House. It does not prevent attempts to register fraudulent companies.

Companies House have not confirmed how they will identify information which is false, misleading or incorrect, nor whether they will actively monitor filings, or rely on receiving complaints to direct their investigations.

¹⁴⁷ Dan Neidle, Tax Policy Associates, [Companies House is a giant fraud robot. Will the Economic Crime and Corporate Transparency Bill stop it?](#), 13 July 2023

¹⁴⁸ [Economic Crime and Corporate Transparency Act 2023](#), ss8-22

¹⁴⁹ [Companies Act 2006](#), s66. Also see: Companies House, Guidance, “[Incorporation and names](#)”, updated 6 April 2022

¹⁵⁰ “[Lincoln chip shop owner worried by business clone scam](#)”, BBC, 14 February 2024

¹⁵¹ “[Heston Blumenthal restaurant among those targeted in cloning scam](#)”, BBC, 8 February 2024

¹⁵² Companies House, [Improving the accuracy of the Companies House register](#), 14 February 2024

They have stated that they won't act on all the information they receive, instead prioritising cases which pose the biggest risk to the integrity of the register.¹⁵³

The new identity verification requirements will act as a preventative measure, as directors and addresses will have to be verified before a company can be registered. However, these reforms will not come into force until 2025.¹⁵⁴

Risks of outsourcing verification checks

The financial crime expert Graham Barrow states that identity verification will not necessarily prevent financial crime. He points out that banks have long carried out anti-money laundering verification checks, without successfully blocking criminals' access to the financial system.¹⁵⁵ There is also a risk that by outsourcing verification checks to authorised corporate service providers, Companies House will lose the ability to ensure that checks are performed stringently.

A recent survey of professional firms required to perform customer verification checks under anti-money laundering regulations found widespread failures. The survey, performed by Smart Search, found that 59% of regulated firms surveyed admitted to not consistently conducting verification checks on business customers, despite regulatory obligations.¹⁵⁶

Abdul Jiwaji, partner and Gavin Collins, associate at law firm Signature Litigation argue in the Times, that tougher identification verification rules are a "step in the right direction. But there are questions over how much that will deter a determined fraudster."¹⁵⁷

¹⁵³ Companies House, [Improving the accuracy of the Companies House register](#), 14 February 2024

¹⁵⁴ PQ 14249 [on [Companies: Disclosure of Information](#)], 16 February 2024

¹⁵⁵ "[It is too cheap and easy to set up UK companies](#)", Financial Times (subscription required), 12 February 2024

¹⁵⁶ "[Regulated firms risk serious red flags by skipping business verification checks](#)", Solicitors Journal (subscription required), 20 March 2024

¹⁵⁷ "[Questions over whether more identification deters fraudsters](#)", The Times (subscription required), 4 January 2024

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