HOUSE OF LORDS Library Briefing

Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill

HL Bill 50 of 2021–22

Author: Heather Evennett

Date published: 30 September 2021

On 26 October 2021, the second reading of the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill is scheduled to take place in the House of Lords.

The bill concerns business rates and company director conduct. It aims to:

- Clarify circumstances in which the impacts of the Covid-19 pandemic can and cannot be considered when deciding on the rateable value of a property on the 2017 rating list.
- Make it easier to investigate the conduct of directors of companies that have been dissolved. The Government states that the bill will allow it to "plug the legal loophole that exists in the insolvency enforcement landscape".

The changes to the calculation of business rates would apply to both England and Wales. The Scottish Government has also announced its intention to change the law.

Business rates are charged on most non-domestic properties, such as shops, offices, pubs and warehouses. Business rates are calculated by using the 'rateable value' of a property, or part of property, which is liable for business rates. The Valuation Office Agency (VOA) sets the rateable value in England, the Scottish Assessors in Scotland, and the Land and Property Services Department in Northern Ireland. The rateable value is designed to reflect the rent that a property would expect to attract on the open market.

Since the Covid-19 pandemic, the VOA has been receiving a large number of 'checks' (the first stage of the appeals process) from businesses wishing to challenge the rateable values of their properties. The Government has argued that the changes in rental values caused by the pandemic "are part of the general market conditions and, as such, should where necessary be reflected in updated rateable values at each revaluation". On 25 March 2021, the Government announced primary legislation would be introduced. The bill seeks to change the ways in which business rates are calculated so that the impacts of the Covid-19 pandemic are not, in most cases, considered in rateable values decisions.

The bill also proposes to extend the disqualification regime to directors of dissolved companies. This was first suggested in a 2018 consultation. Investigation of the conduct of directors is a reserved matter and therefore the bill would apply to England, Scotland and Wales. In Northern Ireland it has been transferred. However, the bill would also apply to Northern Ireland and a legislative consent motion has been obtained.

No amendments were made at the bill's Commons committee stage. During report stage the Government, at the request of the Welsh Government, made amendments to ensure that the bill's clause on business rate calculation applied to Wales (previously the clause applied only to England).

1. Overview of the bill

The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill is a government bill. It is due to receive its second reading in the House of Lords on 26 October 2021.

The bill is made up of four clauses and concentrates on two issues: calculating non-domestic rates (known as business rates) and making it easier to investigate the conduct of former directors of dissolved companies. The bill's explanatory notes state that the bill:

- implements commitments made by the Government on 25 March 2021 to clarify that coronavirus and the Government's response to it is not reflected in rateable values on the 2017 rating list, and
- addresses concerns about the abuse of limited liability, by extending the powers of the secretary of state and, in Northern Ireland, of the Department for the Economy to investigate the conduct of company directors to include former directors of dissolved companies, to commence disqualification proceedings against them where public interest criteria are met, and to seek compensation where their conduct has caused loss to creditors.[1]

2. Policy background

2.1 Business rates

The bill seeks to change the ways business rates are calculated so that the impacts of the Covid-19 pandemic are not, in most cases, taken in consideration during rateable values decisions concerning the 2017 rating list.

What are business rates?

Business rates are charged on most non-domestic properties, such as shops, offices, pubs and warehouses.[2] Local authorities collect business rates that are due in their area, keeping some of the money and passing 50 percent back to central government.[3] A proportion of these funds are then redistributed back to local authorities in line with a population-based formula.[4]

Some local authorities keep a higher amount of the business rates that they collect. For example, in November 2020, the Government confirmed that authorities in Greater Manchester, Liverpool City Region, Cornwall, West of England, West Midlands and the Greater London Authority (GLA) would .retain an increased proportion of business rates in 2021–22.[5]

---

[1] Explanatory Notes, p 2.

[2] UK Government website, 'Business rates', accessed 16 September 2021.

[3] More information about business taxes, and proposals for local authorities to retain more of the money which they collect, can be found in House of Commons Library briefings, *Business Rates* (13 April 2021) and *Reviewing and Reforming Local Government Finance* (4 August 2020).

[4] Local Government Association, 'Local taxation: council tax and business rates', accessed 28 September 2021.

[5] Ministry of Housing, Communities and Local Government, 'Explanatory note for authorities with increased business rates retention arrangements', 4 February 2021.

Alongside council tax, business rates represent the largest source of income for councils. The Local Government Association has estimated that retained business rates contribute around a quarter of local authority core spending power.[6]

How are business rates calculated?

Business rates are calculated using the 'rateable value' of a property, or part of property, which is liable for business rates. The Valuation Office Agency (VOA) sets the rateable value in England and Wales, the Scottish Assessors in Scotland, and the Land and Property Services Department in Northern Ireland. The rateable value is designed to reflect the rent that a property would expect to attract on the open market.[7]

The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill relates to business rates in England and Wales. This briefing therefore concentrates on the systems in this jurisdiction.

Rateable values for properties in England and Wales appear on non-domestic rating lists. Each billing authority has a rating list. In addition, a central rating list, containing properties such as those spanning multiple billing authorities, is held by the secretary of state.

Rateable values of properties are then calculated by applying a 'multiplier', typically expressed in terms of a figure of pence in the pound. The UK Government sets this figure in England; in Wales the Welsh Government sets the multiplier. By multiplying the rateable value of a property by the multiplier set by the UK or devolved government, the annual business rate liability for a property is calculated.

What about changes in rateable values?

The VOA updates rateable values at regular intervals. The most recent revaluation was based on rental market values as at 1 April 2015 and came into effect on 1 April 2017. The next revaluation, delayed due to the Covid-19 pandemic, will come into effect on 1 April 2023. This will be based on rental market values from 1 April 2021. The regular revaluations are used to reflect changes in economic factors, market conditions or changes in the general levels of rents.[8]

In addition to these regular revaluations, there are limited circumstances under which changes to rateable values can be changed or challenged. For England, these are set out in the Domestic Rating (Alteration of List and Appeals) (England) Regulations 2009.[9] Where appeals concerning a rateable value are to be made, in England, they must be preceded by a 'check' and 'challenge' stage.[10]

---

[6] Local Government Association, *Regulation of Business Rates Reduction Services: House of Commons 26 May 2021*, 24 May 2021.

[7] Politics.co.uk, 'Business rates', accessed 16 September 2021.

[8] Explanatory Notes, p 2.

[9] More details about the way in which business rates can be changed or challenged are available in the House of Commons Library briefing, *Business Rates* (13 April 2021).

[10] Further details about the system for appealing rateable values in Wales can be found at: Valuation Office Agency, *Appeal business rates in Wales*, 28 January 2020.

One of the reasons for challenge, detailed in regulation 4(1)(b) of the 2009 regulations, is where a rateable value is inaccurate "by reason of a material change of circumstances which occurred on or after the day on which the list was compiled".[11]

Covid and business rates

Since the Covid-19 pandemic, the VOA has been receiving a large number of 'checks' (the first stage of the appeals process) from businesses wishing to challenge the rateable values of their properties:

> […] arguing that interventions concerning the use of property (such as requirements to close businesses or to maintain social distancing to comply with health and safety legislation) are a material change of circumstances. If successful, these checks and subsequent challenges may impact hereditaments [properties liable for business rates] shown on the rating lists and the level of rateable values across a wide range of properties, sectors and regions ahead of the next revaluation.[12]

The Government has argued that the changes in rental values caused by the pandemic "are part of the general market conditions and, as such, should where necessary be reflected in updated rateable values at each revaluation".[13] By allowing such a high number of appeals, the Government argues that the VOA would be required to constantly reassess all properties and rateable values to reflect all coronavirus-related interventions or change in interventions concerning the use or enjoyment of property or the locality.

On 25 March 2021, the Government announced that "without action and legislation" there would be a "significant impact on the entire business rates system". In addition to announcing a further £1.5 billion of support to businesses who had not already received business rate relief, the Government stated it would be:

> Introducing primary legislation with retrospective effect, when parliamentary time allows, to clarify that Covid-19 and the Government response to it is not an appropriate use of material change of circumstance provisions; and
>
> Laying a statutory instrument today with the same effect prospectively and bringing it into force on the same day. Taken together, this will ensure support for Covid-19 continues to be directed to ratepayers through rate reliefs—including the additional £1.5 billion of support—in the fairest and fastest way, and not through valuation appeals made by rating agents.[14]

The business rates provisions in the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill largely replicate the effects of the Valuation for Rating (Coronavirus) (England) Regulations 2021.[15] These regulations came into operation in March 2021 and only covered Covid-19 restrictions imposed after the regulations were made. The regulations came into operation before

---

[11] Domestic Rating (Alteration of List and Appeals) (England) Regulations 2009.

[12] Explanatory Notes, pp 2–3.

[13] ibid.

[14] House of Commons, 'Written Statement: Covid-19: Support for Businesses', 25 March 2021, HCWS77

[15] Valuation for Rating (Coronavirus) (England) Regulations 2021.

being laid in either House. Although the House of Lords Secondary Legislation Scrutiny Committee noted the regulations as an instrument of interest, the regulations were not objected to and there were no further proceedings in either House.[16]

The Local Government Association has described the £1.5 billion grant as "pleasing", commenting:

> We look forward to working with the Government and parliamentarians so the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill is passed as soon as possible, and councils can get the reliefs in place.[17]

However, it emphasised the need to keep the funding under review to ensure it was sufficient to meet demand and highlighted the ongoing importance of tackling business rate avoidance.

2.2 Dissolution of companies

The bill seeks to "plug the legal loophole that exists in the insolvency enforcement landscape" and aims to address two major concerns:[18]

- to ensure public concerns that rogue directors who abuse the company and insolvency law regimes can be investigated and held accountable; and
- to provide a deterrent against a likely and urgent scenario that company directors may use the dissolution of a company to evade their responsibility to repay bounce back loans.

What is a dissolved company?

There are several ways in which a company can be closed down, dependant on its circumstances. Examples include creditors' voluntary liquidation, compulsory liquidation and dissolution.[19]

A dissolved company is one which has been closed and which has been removed from the Companies House register. The legal term for this process is dissolution or striking off.[20] After dissolution, the company ceases to legally exist. The dissolving of a company is often a voluntary process; however, Companies House can dissolve companies that have not kept up with their accounting responsibilities such as filing accounts and tax returns.[21]

---

[16] UK Parliament, 'Statutory Instruments Tracker: Valuation for Rating (Coronavirus) (England) Regulations 2021', accessed 28 September 2021.

[17] Local Government Association, *The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill , House of Commons*, 16 June 2021.

[18] Insolvency Service, *Bill Impact Assessment*, 19 April 2021, pp 8–9.

[19] For more information on closing down companies see: House of Commons Library, *Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill 2021–22*, 14 July 2021, pp 18–20.

[20] Companies House, 'Closing your company and applying for voluntary strike off', accessed 21 September 2021.

[21] Begbies Traynor Group, 'Dissolving a company: eligibility, process, and objections', 22 January 2021.

While liquidation involves selling a company's assets to pay debts and distribute remaining money to shareholders, dissolution is usually a simpler process.[22] Dissolution of a company requires an application to Companies House for the voluntary striking off of a company from the register. The application must be signed by the majority of the company's directors and be accompanied by a £10 fee. A notice outlining the proposed striking off of the company will be published in the *Gazette*[23] and, if nobody objects within two months of the publication of the notice, a company will be struck off the register. A second notice will be published in the *Gazette* which will mean that the company does not legally exist anymore (it has been 'dissolved').[24]

Dissolution is only an option for solvent companies. It is not intended as a means to evade creditors. Companies are required to pay outstanding taxes and creditors.[25] In addition, some other requirements exist. These include that the company must:

- not have traded or sold off any stock in the last three months;
- not have changed names in the last three months; and
- not be threatened with liquidation or any other type of insolvency proceedings, or have agreements with creditors such as a company voluntary arrangement (CVA).

The requirements are detailed in guidance available from Companies House.[26] Where a company is struck off and dissolved, creditors and others could apply for the company to be restored to the register.[27]

Between April and June 2021, there were 115,554 dissolutions in the UK.[28] The number of dissolutions in the second quarter of 2021 increased by 100,948 (691.1%) compared with the second quarter of 2020 and decreased by 20,316 (15.0%) compared with the same quarter of 2019.

However, in response to the Covid-19 pandemic the voluntary strike-off process was temporarily paused between April–October 2020 and January–March 2021. Official Companies House statistics note, therefore, that "it is difficult to make like for like comparisons to previous years".[29]

Problems with dissolution

The explanatory notes to the bill outline some of what the Government argue are current deficiencies with the system:

> The Insolvency Service regularly receives complaints about the conduct of former directors of companies which have been dissolved […] In most cases those complaints concern one of the

[22] Further details on the process of liquidation are available in the *Gazette*, *A Guide to Liquidation* (24 May 2021).
[23] The *Gazette* is an official public record.
[24] UK Government website, 'Strike off your limited company from Companies Register', accessed 21 September 2021.
[25] Begbies Traynor Group, 'Dissolving a company: eligibility, process, and objections', 22 January 2021.
[26] Companies House, 'Strike off, dissolution and restoration', 24 March 2021.
[27] ibid.
[28] Companies House, *Incorporated Companies in the UK April to June 2021*, 29 July 2021.
[29] ibid.

following areas:

a. Allowing or causing a company to be dissolved, effectively shedding its liabilities, with a new company continuing its business. Some complaints relate to this happening multiple times, and this is sometimes known as 'phoenixism';
b. Use of the company dissolution process to avoid the cost and implications of formal liquidation proceedings (the process by which a liquidator is appointed, who realises the company's assets and distributes them fairly to creditors); or
c. Avoidance of investigation of conduct under the Company Directors Disqualification Act 1986 (CDDA).

Similar complaints have been received by the Insolvency Service in Northern Ireland, from creditors of companies which have been dissolved.

It is not currently possible for the conduct of former directors of dissolved companies to be investigated without first restoring the company to the register of companies, which is time consuming and costly, and involves court proceedings.[30]

The Insolvency Service received around 92 complaints about director conduct concerning dissolution or phoenix companies between February 2018 and December 2020.[31] The Government argues that this is a significant under-estimate of the scale of the problem, stating:

> The extent of abuse is difficult to gauge as complaints received regarding dissolution are likely to be an under-estimate as not all creditors will restore the company for the purposes of winding up given the costs involved […] we judge that misconduct might occur in at most 1% of dissolutions, or around 5,000 per year.[32]

Extending the disqualification of directors

The secretary of state can, following investigations of the conduct of directors using the CDDA, apply to the court for an order for the disqualification of that director. This does not currently apply to former directors of dissolved companies.

Disqualification proceedings are a civil, not criminal, process and disqualification orders are made by the court. Alternatively, directors may offer to give a disqualification undertaking—the equivalent of a voluntary disqualification order— without the need for court proceedings.[33] Unless the court decides otherwise, a person is disqualified from:

- acting as a director of a company;
- taking part, directly or indirectly, in the promotion, formation or management of a company or limited liability partnership; and

---

[30] Explanatory Notes, p 3.

[31] Insolvency Service, *Impact Assessment*, 19 April 2020, p 6.

[32] ibid, p 8.

[33] Insolvency Service, 'Guidance: Company Directors Disqualification Act 1986 and Failed Companies', 8 July 2020.

- being a receiver of a company's property.

Restrictions and other requirements may also be applied to disqualified people by organisations such as charities and schools.[34] Disqualification can last for up to 15 years; penalties for the contravention of a disqualification order or undertaking include both fines and/or up to two years in prison.

The purpose of this disqualification is "to protect the business community and members of the public" from those "unfit to be concerned in the management of a limited company". In addition, it aims to act as a deterrent to directors "abusing the privileges of limited liability".[35]

The proposal to extend the disqualification regime to directors of dissolved companies was included in the insolvency and corporate governance consultation which ran in 2018.[36] The government response to the consultation noted that:

> A large majority of respondents agreed that there was a problem posed by the current gap in legislation which prevents the secretary of state from investigating potential misconduct by directors of dissolved companies.
>
> Respondents were also in favour of the government taking action to prevent directors avoiding liabilities via company dissolution. Respondents thought the proposal for a new investigation power was in the main, logical and sensible in view of the fact that it is prohibitively costly and time-consuming to restore a company that is struck off the register.[37]

In addition, the Government has argued that the changes are needed to address the potential use of the dissolution process to avoid paying back government-backed loans given to businesses to help support them during the Covid-19 pandemic, such as the 'Bounce Back Loans Scheme'.[38]

3. Bill provisions

The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill is a short bill, made up of four clauses; three are operative clauses and the fourth relates to extent, commencement and short title of the bill.

Clause 1

Clause 1 applies to business rates in England and Wales. The clause provisions relate to how a valuation officer makes decisions (also known as 'determinations') in relation to calculating business rates for the 2017 rating list. The clause would, in most instances, remove considerations about the impacts of coronavirus measures and restrictions when deciding rateable values. The clause would

---

[34] Insolvency Service, 'Guidance: Company Directors Disqualification Act 1986 and Failed Companies', 8 July 2020.

[35] Explanatory Notes, p 4.

[36] Department for Business, Energy and Industrial Strategy, 'Insolvency and corporate governance', 26 August 2018.

[37] Department for Business, Energy and Industrial Strategy, *Insolvency and Corporate Governance: Government Response*, 26 August 2018, p 39.

[38] Explanatory Notes, p 4.

apply retrospectively; valuation officers should not consider the impacts of Covid-19 restrictions when making decisions either in relation to a day in the past or the future.[39]

Clause 1 includes details about what is and is not relevant to be considered by valuation officers in making their decision. Clause 1(4) states that in making determinations no account is to be taken of any matter "that is directly or indirectly attributable to coronavirus". Clause 1(5) provides some exceptions to clause 1(4); the impacts of Covid-19 can be considered where they affect: the physical state of the property; the quantity of minerals extracted; or the quantity of waste disposed from the property.

The clause would apply to all decisions on the current rating list—the list where rates valuations were set at 1 April 2015 and came into force on 1 April 2017. It would not apply to any earlier rating lists, or the rating list scheduled to come into effect on 1 April 2023. The clause would also apply to a rating list "whether or not it is still in force". This means appeals brought forward after the 2017 rating list is superseded will also be covered by these provisions. In addition, clause 1 would apply to any valuation decisions taken before, on the day that or after the bill is passed, meaning it would have retrospective effect.

In March 2021, the Government made the Valuation for Rating (Coronavirus) (England) Regulations 2021 which had a broadly identical purpose but only applied to the impact of coronavirus related restrictions imposed after the regulations were made. In the explanatory memorandum to the regulations, the Government stated:

> This instrument ensures that rateable values in the current 2017 rating lists, used in the calculation of business rate bills, will continue to be based upon the economic factors, market conditions and the general level of rents which prevailed at the valuation date for those lists of 1 April 2015. It will do this by assuming, for the purpose of assessing rateable values, that interventions to control Covid-19 had not occurred. The next revaluation will take effect on 1 April 2023 and will reflect market rental values at 1 April 2021.[40]

Clause 2

Clause 2 would make amendments to several sections of the Company Directors Disqualification Act 1986. These amendments would allow the secretary of state and official receiver to investigate the conduct of former directors of dissolved companies. It would also allow the secretary of state, where appropriate, to seek their disqualification, and to seek compensation where their actions are shown to have led to losses to creditors of dissolved companies.

The amendments would have retrospective effect and investigations and court orders could be made against directors of dissolved companies relating to conduct before the bill is passed.

---

[39] The House of Lords Constitution Committee has previously recommended governments avoid using retrospective legislation. For a summary of the committee's recommendations on retrospective legislation, see: UCL Constitution Unit, *The Constitutional Standards of the House of Lords Select Committee on the Constitution*, 2015, p 6.

[40] Explanatory Memorandum to the Valuation for Rating (Coronavirus) (England) Regulations 2021, p 1.

Section 6 of the CCDA would be amended to include former directors of dissolved companies in scope of the act. This would mean that the courts can make a disqualification order on former directors of dissolved companies.

Section 7 would be amended to set time limits on when the secretary of state or official receiver could make an application for a disqualification of a former director of a dissolved company; an application could not be made more that three years after the company was dissolved. In addition, the act would be amended to expand the secretary of state and official receiver's power to require information or documentation when investigating the conduct of former directors of a dissolved company.

Section 8ZB(2) of the CDDA would be amended so that a three-year time limit also applied to applications made by the secretary of state in relation to a disqualification order against someone who was directing or instructing a disqualified former director of a dissolved company. Section 15A of the CDDA would be amended to allow a court order for compensation to be sought against a disqualified director of a dissolved company whose conduct has caused loss to creditors of a dissolved company.

Sections 22A to 22H of the CDDA, which applies the CDDA provisions to organisations which are not companies, such as building societies and further education bodies, would be amended so that the new provisions concerning dissolved companies would not apply to these bodies.

Clause 3

Clause 3 makes the equivalent amendments to the Company Directors Disqualification (Northern Ireland) Order 2002, which governs company directors' disqualification in Northern Ireland.

The clause seeks to allow the department and the official receiver to investigate the conduct of former directors of dissolved companies; for the department to seek their disqualification where appropriate; and to seek compensation where their actions are shown to have led to losses to creditors of dissolved companies.

Clause 4

Clause 4 outlines the territorial extent of the bill. Business rates policy is fully devolved. Clause 1 of the bill would apply to England and Wales. Earlier versions of the bill applied only to England. At the request of the Welsh Government, the Government tabled amendments at report stage of Commons proceedings to extend application of the bill to include Wales. The Scottish Government has also announced its intention to make corresponding provisions in respect of Covid-19 related business rates.[41] Clause 1 would come into effect upon royal assent.

Company director disqualification is reserved to the UK Parliament with regard to both Scotland and Wales. Clause 2 would apply to England, Scotland and Wales. Responsibility for company director disqualification is a matter which is transferred to the Northern Ireland Assembly. Clause 3 of the bill would make equivalent amendments to the investigation of former directors of dissolved companies

[41] Explanatory Memorandum to the Valuation for Rating (Coronavirus) (England) Regulations 2021, p 3.

for Northern Ireland. A legislative consent motion has been obtained.

Powers in clauses 2 and 3 to extend the power to require information and documents to investigate directors of dissolved companies would come into force upon royal assent. Other powers contained in clauses 2 and 3 would come into force two months after royal assent.[42]

4. Bill stages in the Commons

4.1 Second reading

The bill's second reading in the House of Commons took place on 28 June 2021. For the Government, the then Minister for Regional Growth and Local Government, Luke Hall, argued that the bill fulfilled government commitments. He said it would ensure the "continued operation of a coherent framework, deliver certainty, support businesses to thrive, and allow councils to plan for their finances with confidence and continue to deliver the first-class services on which our communities rely".[43]

Jeff Smith, Shadow Minister for Housing, Communities and Local Government, accepted the "overarching measures in the bill", and confirmed that Labour would not divide the House during second reading. However, he raised concerns about the support and funding available to businesses to allay the impacts of the Covid-19 pandemic. Mr Smith also sought assurances about the resources of both the Valuation Office Agency and the Insolvency Service.[44]

Kevin Hollinrake (Conservative MP for Thirsk and Malton) also commented on the issue of resources for the Insolvency Service. For the Scottish National Party (SNP), Peter Grant, shadow treasury spokesperson examining the bill, argued that measures to tighten up on director and company misconduct and company fraud "do not go nearly far enough".[45]

Sarah Olney, Liberal Democrat Spokesperson for Business, Energy and Industrial Strategy, challenged the impact of the bill on business rates. She argued that the bill's "punitive retrospective" change "severely limits the only route available to tens of thousands of businesses in claiming government support during the pandemic".[46] Responding for the Government, the then Minister for Housing, Communities and Local Government, Paul Scully, pointed to government support for businesses during the pandemic. He stressed that the Government would be working with the Insolvency Service "to ensure that it has the resources to do its job".[47]

4.2 Committee stage

The public bill committee met on both 6 and 8 July 2021. On 6 July 2021 it heard oral evidence from

---

[42] Explanatory Notes, p 12.
[43] HC *Hansard*, 28 June 2021, col 66.
[44] ibid, col 69.
[45] ibid, col 71.
[46] ibid, cols 75–7.
[47] ibid, col 83.

several stakeholders including UK Finance; the Chartered Institute for Credit Management; Dr John Tribe from the University of Liverpool; the Chartered Institute of Public Finance and Accountancy; and the Local Government Association.[48]

At its 8 July 2021 session, its final sitting, the committee considered three new clauses proposed by the Labour Party. These sought to:

- place an obligation on the secretary of state to report the number of former directors of dissolved companies being investigated (NC1);
- require the secretary of state, a year after royal assent, to publish an assessment of the effectiveness of the provisions concerning business rates (NC2); and
- require the secretary of state, a year after the provisions came into force, to publish an assessment of the effectiveness of the bill's provisions about former directors of dissolved companies (NC3).

New clauses 1 and 3, relating to the former directors of dissolved companies, were defeated on division. New clause 2 was not moved.[49] Speaking for the Government, the minister, Luke Hall, noted the Insolvency Service already provided "a wealth of information". He noted that in future reports, enforcement outcomes would also include any disqualifications against former directors of dissolved companies.[50] The bill passed committee stage unamended.

At the oral evidence sessions, various witnesses were asked about the bill's retrospectivity on director disqualification, which witnesses widely supported. For example, Stephen Pegge, from the trade association UK Finance, said he understood the measure had first been agreed in 2018 but had been delayed by lack of parliamentary time. He said he recognised retrospectivity was "not often applied to such bills" but added "we are talking about a fairly high evidence threshold and about situations where natural justice would support this measure being made with retrospective effect".[51] On the detail, David Kerr, from the Chartered Institute of Credit Management, said he thought "cases [would] have to be taken within three years of the relevant date—the date of insolvency or the date of dissolution". He added he did not think "the department would be able to go back before 2018 in any event, and that was the date on which the consultation was conducted". Dr John Tribe, senior lecturer in law at the University of Liverpool, said he had no concerns, and likened the provisions to the recent Corporate Insolvency and Governance Act 2020 reforms.

The bill's retrospectivity was noted at the final public bill committee sitting. Peter Grant (SNP MP for Glenrothes) had asked several witnesses about it. Based on that evidence, Mr Grant concluded:

> It is important to remember, as the minister has pointed out, that we are not retrospectively

[48] Public Bill Committee, *Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill*, 6 July 2021, session 2021–22, 1st sitting. More details of the evidence given by the different organisations can also be found in the House of Commons Library Briefing, *Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill 2021-22*, 14 July 2021.

[49] Public Bill Committee, *Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill*, 8 July 2021, session 2021–22, 3rd sitting.

[50] ibid, cols 82–3.

[51] Public Bill Committee, *Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill*, 6 July 2021, session 2021–22, 1st sitting.

> outlawing something that was legal at the time; all we are saying that if someone is strongly suspected of having acted improperly or illegally in the past, that misconduct can be properly investigated. We are not even giving additional powers to the regulator to act; we are removing an artificial barrier that should probably never have been there in the first place to allow that investigation.[52]

4.3 Report and third reading

Both the report stage and third reading of the bill were taken on 9 September 2021. During report stage, the Labour shadow minister, Jeff Smith, moved new clause 1. This new clause returned to issues raised at committee stage about reporting on directors of dissolved companies whom the Insolvency Service has investigated and disqualified. Mr Smith argued that the new clause sought to ensure that the Insolvency Service had the resource and the capacity to deal with the new measures relating to directors of dissolved companies.[53] Responding, the minister, Luke Hall, confirmed the Insolvency Service produced a "large amount of information" and statistics, with future statistics including "any orders or undertakings obtained as a result of this new provision".[54] The new clause was withdrawn.

In addition, the Government made amendments to clause 1 of the bill to extend the application of clause 1 to non-domestic rating lists compiled for the purposes of business rates in Wales (as well as lists for England). This was done at the request of the Welsh Government and was passed without division.[55]

Opening the third reading debate, then Minister for Regional Growth and Local Government Luke Hall commended the "constructive debates and scrutiny sessions" during the passage of the bill.[56] He emphasised alternative support, in the form of a £1.5 billion relief package, which would be available in place of business rate appeals, commenting "this approach has been welcomed by the House of Commons Public Accounts Committee".[57]

For Labour, Jeff Smith confirmed that the party "supported the bill's broad aims" but reiterated his concerns about the resourcing of the VOA and Insolvency Service. He called for business rates relief to be distributed "as quickly as possible".[58] Peter Grant, speaking for the SNP, also supported the bill, although he raised concerns with perceived limitations with Companies House, calling for its reform.[59]

---

[52] Public Bill Committee, *Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill*, 6 July 2021, session 2021–22, 1st sitting, col 84.

[53] HC *Hansard*, 9 September 2021, col 508.

[54] ibid, col 510.

[55] ibid, col 511.

[56] ibid, col 511.

[57] ibid, cols 511–12.

[58] ibid, cols 512–13.

[59] ibid, cols 513–14.

About the Library

A full list of Lords Library briefings is available on the Library's website.

The Library publishes briefings for all major items of business debated in the House of Lords. The Library also publishes briefings on the House of Lords itself and other subjects that may be of interest to Members.

Library briefings are produced for the benefit of Members of the House of Lords. They provide impartial, authoritative, politically balanced information in support of Members' parliamentary duties. They are intended as a general briefing only and should not be relied on as a substitute for specific advice.

Every effort is made to ensure that the information contained in Lords Library briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

Disclaimer

The House of Lords or the authors(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. The House of Lords accepts no responsibility for any references or links to, or the content of, information maintained by third parties.

This information is provided subject to the conditions of the Open Parliament Licence.

Authors are available to discuss the contents of the briefings with the Members and their staff but cannot advise members of the general public.

Any comments on Library briefings should be sent to the Head of Research Services, House of Lords Library, London SW1A 0PW or emailed to hlresearchservices@parliament.uk.