



# Economic Crime and Corporate Transparency Bill

## HL Bill 96 of 2022–23

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On 8 February 2023, the second reading of the [Economic Crime and Corporate Transparency Bill](#) is scheduled to take place in the House of Lords. It completed its House of Commons stages on 25 January 2023.

In brief, the bill would:

- Reform the powers of Companies House so that it has a bigger role in ensuring corporate transparency and guarding against economic crime. This would also include strengthened information requirements for companies, including identity verification.
- Improve the transparency and information requirements for limited partnerships. Limited partnerships, particularly Scottish limited partnerships, have been linked to large amounts of economic crime.
- Amend requirements for the register of overseas entities. The register was introduced by the Economic Crime (Transparency and Enforcement) Act 2022.
- Make it easier for law enforcement agencies to confiscate cryptoassets linked to economic crime or terrorism.
- Enable businesses in certain sectors to share information more effectively to prevent and detect economic crime.
- Strengthen the powers of certain regulators and investigators of economic crime.

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Although the bill has been welcomed and has received cross-party support, both Labour and the SNP have said that more needs to be done to strengthen the bill. The bill has also attracted amendments supported by Conservative backbenchers. Proposed amendments receiving cross-party support included:

- protecting people against the threat of legal action intended to silence, intimidate or harass critics (known as SLAPPs) where the information was likely to be relevant for the investigation of economic crime
- introducing offences for a “failure to prevent” fraud, false accounting or money laundering

Although no non-government amendments were made to the bill during its Commons stages, the government did indicate that it would look at adding “failure to prevent” offences during the bill’s passage through the Lords.

## **I. About the bill**

This section gives brief details about the background of the bill and its provisions. More detail can be found in the following publications:

- HM Government, ‘[Economic Crime and Corporate Transparency Bill 2022: Factsheets](#)’, 18 January 2023. These provide information on specific elements of the bill.
- House of Commons Library, ‘[Economic Crime and Corporate Transparency Bill 2022–23: Progress of the bill](#)’, 20 January 2023. This briefing provides background on the bill, details the provisions, and sets out the changes made and proposed amendments during committee stage in the House of Commons.
- [Explanatory notes](#). This provides clause-by-clause explanation of the bill’s provisions.

## 1.1 Background

The government explains that economic crime refers to a broad category of offences, involving “money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others”.<sup>1</sup> It states that it “poses a threat to the UK’s national security, economy and its institutions and causes serious harm to society and individuals”.

There is no agreed figure for the amount that economic crime costs the UK economy. However, it is estimated to cost tens or hundreds of billions of pounds a year.<sup>2</sup>

The government intends for the Economic Crime and Corporate Transparency Bill to help tackle economic crime, better protect national security and enable Companies House to deliver a better service for UK individuals and businesses. Companies House is an executive agency of the government that maintains the register of companies and is responsible for incorporating companies in the United Kingdom.

The government set its intentions out under three overarching objectives for the bill:

- Prevent organised criminals, fraudsters, kleptocrats and terrorists from using companies and other corporate entities to abuse the UK’s open economy. This bill will reform the powers of the registrar of companies and the legal framework for limited partnerships in order to safeguard businesses, consumers and the UK’s national security.
- Strengthen the UK’s broader response to economic crime, in particular by giving law enforcement new powers to seize

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<sup>1</sup> HM Government, [‘Factsheet: Economic crime in the UK’](#), 18 January 2023.

<sup>2</sup> See: House of Commons Library, [‘Economic crime in the UK: A multi-billion pound problem’](#), 6 April 2022.

cryptoassets and enabling businesses in the financial sector to share information more effectively to prevent and detect economic crime.

- Support enterprise by enabling Companies House to deliver a better service for over four million UK companies, and improving the reliability of its data to inform business transactions and lending decisions across the economy.<sup>3</sup>

The government's impact assessment for the bill estimated the total cost of the corporate transparency and Companies House reforms at £289mn. It also estimated the annual cost to businesses at £18.9mn.<sup>4</sup>

Many of the measures in the bill, such as those relating to Companies House reforms, implement proposals from the government's 2022 white paper on corporate transparency and register reform.<sup>5</sup> This white paper also highlighted that there was a Companies House transformation programme in progress to complement the reforms. It explained:

In its systems, processes, and capabilities, Companies House will change to reflect its new role in the economy and its responsibility to help achieve the government's priorities in national security, anti-corruption, tackling fraud and boosting enterprise [...]

To deliver the government's ambition, every aspect of Companies House will be transformed: skills, culture, operating model and services.<sup>6</sup>

The white paper said that the government was investing in Companies

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<sup>3</sup> [Explanatory notes](#), p 10.

<sup>4</sup> Department for Business, Energy and Industrial Strategy, '[Economic Crime and Corporate Transparency Bill: BEIS impact assessments](#)', 22 September 2022, pp 3–4.

<sup>5</sup> Department for Business, Energy and Industrial Strategy, '[Corporate transparency and register reform](#)', 28 February 2022.

<sup>6</sup> Department for Business, Energy and Industrial Strategy, '[Corporate transparency and register reform white paper](#)', 28 February 2022, CP 638, p 33.

House to achieve the reforms. Further detail on the Companies House transformation programme can be found in part 3A of the '[Corporate transparency and register reform white paper](#)', 28 February 2022, CP 638, p 33.

The bill also follows on from another piece of economic crime legislation, the [Economic Crime \(Transparency and Enforcement\) Act 2022](#). This legislation received royal assent on 15 March 2022 and had been fast-tracked through Parliament due to concerns about economic crime and individuals connected to the conflict in Ukraine. The act's four main objectives were:

- Prevent and combat the use of land in the UK for money laundering purposes by increasing the transparency of beneficial ownership information relating to overseas entities that own land in the UK. The act therefore creates a register of the beneficial owners of such entities. The register will be held by Companies House and made public.<sup>7</sup>
- Reform the UK's unexplained wealth order (UWO) regime to enable law enforcement to investigate the origin of property and recover the proceeds of crime. The measures in the act aim to strengthen the UK's fight against serious economic crime, to clarify the scope of UWO powers, and to increase and reinforce operational confidence in relation to UWO powers.
- Amend financial sanctions legislation, including the monetary penalty legal test and information-sharing powers, to help deter and prevent breaches of financial sanctions.
- Amend sanctions legislation to enable ministers to impose sanctions quicker and in concert with others. The measures in the act reform how sanctions are imposed, how sanctions are reviewed, and how challenges to sanctions are dealt with.<sup>8</sup>

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<sup>7</sup> The register is now up and running and registrations had to be submitted by 31 January 2023: Companies House, '[Register an overseas entity and tell us about its beneficial owners](#)', updated 31 January 2023.

<sup>8</sup> [Explanatory notes to the Economic Crime \(Transparency and Enforcement\) Act 2022](#), p 5.

Further information on the legislation can be found in the House of Lords Library briefing '[Economic Crime \(Transparency and Enforcement\) Bill](#)' (8 March 2022).

In addition, the bill would amend and complement other legislation relating to companies and economic crime, including the Companies Act 2006, the Proceeds of Crime Act 2002 (POCA) and the Sanctions and Anti-Money Laundering Act 2018 (SAML). A list of other relevant economic crime legislation can be found in the government factsheet '[Factsheet: Economic crime in the UK](#)' (18 January 2023).

## **1.2 Contents of the bill**

As introduced in the House of Lords, the bill contains 192 clauses and nine schedules.

Several government changes, including the addition of new clauses, were made to the bill during its House of Commons stages. A summary of these changes can be found in section 2 of this briefing.

The bill is split into six parts. In brief, these parts include the following measures and provisions:

### **Part I: Companies: Reforms to Companies House and registration requirements**

Companies House provides for the registration of companies in the UK. It allows for their creation and maintains information about them. These powers are formally vested in the registrar of companies for England and Wales, or their equivalents in Scotland and Northern Ireland (collectively referred to in the legislation as 'the registrar').<sup>9</sup>

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<sup>9</sup> [Explanatory notes](#), p 11.

Part I of the bill seeks to expand the role of Companies House, so that it changes from being a “largely passive recipient of information to a much more active gatekeeper over company creation and custodian of more reliable data”.<sup>10</sup> Clause I would amend the Companies Act 2006 to set out these new objectives in statute.

Part I of the bill would also increase and alter many information requirements for companies and connected individuals, including the introduction of new identification verification requirements.

Specific measures in part I include:

- **Expanding the role of Companies House.** The registrar would receive “enhanced powers to query suspicious appointments or filings and, in some cases, request further evidence or reject the filing, in pursuit of these objectives. These include measures to tackle the fraudulent use of company names and addresses. The registrar will be better able to use fees to fund investigation and enforcement activity”.<sup>11</sup>
- **New identification verification measures.** The explanatory notes explain that “all new and existing registered company directors, people with significant control, and those delivering documents to the registrar will have to have a verified identity with Companies House, or have registered and verified their identity via an anti-money laundering supervised authorised corporate service provider (ACSP)”.<sup>12</sup> It would also void the appointment of directors in certain circumstances (for example, if they are disqualified or subject to asset freeze sanctions under SAML) and would improve the provision of information about companies’ ownership.
- **Enhanced data sharing.** The bill would make it easier for the registrar to share data with law enforcement, government bodies

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<sup>10</sup> [Explanatory notes](#), p 12.

<sup>11</sup> As above.

<sup>12</sup> As above.



and the private sector.<sup>13</sup> The government hopes this would improve the sharing of suspicious activity with these bodies and lead to the quicker identification of discrepancies between information on the registers and information held by other bodies. These discrepancies could then be queried by the registrar.

- **Preventing abuse of personal information on the register.** The bill would allow individuals to apply to have certain personal information on the register suppressed or protected, particularly if this puts them at risk of violence.
- **Improving the financial information on the register.** It would increase the filing requirements for very small companies. This is intended to create a more “level playing field” across small businesses and improve transparency.<sup>14</sup>

Various offences would be connected to many of the requirements in part 1; for example, where companies or their officers fail to comply with identity verification requirements or do not follow a direction to change their name.

## Part 2: Limited partnerships

Part 2 of the bill attempts to address continuing issues with limited partnerships, particularly Scottish limited partnerships (SLPs), which have been linked to large-scale money laundering. The explanatory notes explained:

Limited partnerships are a form of partnership registered at Companies House and are used for a range of legitimate business purposes, including venture capital, the film industry and oil and gas exploration. Limited partnerships that are registered in Scotland have separate legal personality from their partners, which allows the Scottish limited partnership itself to own property or enter into contracts in its own right. Those registered in England and Wales, and Northern Ireland have no separate legal personality and any contracts entered into are

<sup>13</sup> [Explanatory notes](#), pp 12–13.

<sup>14</sup> As above, p 13.

made on behalf of the individual partners.

Limited partnerships, in particular Scottish limited partnerships, have been misused including for facilitating large-scale international money laundering. In addition, given that the legislation on limited partnerships is over 100 years old, the government is of the view that it should be modernised to make limited partnerships more transparent and fit for the modern age. The government has already extended the People with Significant Control legislation to Scottish limited partnerships in 2017 (it is not legally possible or meaningful for this measure to be applied to other forms of UK limited partnership).<sup>15</sup> While the numbers of new registrations of Scottish limited partnerships fell at the same time, reports of misuse continue and the lack of transparency of limited partnerships remains a concern to the government.<sup>16</sup>

Measures included in part 2 of the bill seeking to address these issues include:

- Tightening registration requirements, by requiring more information about the partners of a limited partnership and requiring that this information is submitted by authorised corporate service providers, which are supervised for anti-money laundering purposes.
- Requiring limited partnerships to have a firmer connection to the part of the UK in which they are registered, by having to maintain their registered office there.
- Requiring all limited partnerships to submit statements confirming that the information held about them on the register is correct.
- Enabling the registrar to deregister limited partnerships that are dissolved or no longer carrying on business.
- Sanctions will be enforced for breaches of the above obligations against the partners of limited partnerships.<sup>17</sup>

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<sup>15</sup> [Scottish Partnerships \(Register of People with Significant Control\) Regulations 2017](#).

<sup>16</sup> [Explanatory notes](#), p 13.

<sup>17</sup> As above, pp 13–14.

Some of the broader reforms in part 1 would also be applied to limited partnerships; for example, the introduction of identification verification requirements for general partners and provisions related to enhanced data sharing.

In addition, during the House of Commons stages, government amendments were made to the bill to strengthen notification requirements when a limited partnership is dissolved (see section 3.3.1 of this briefing).

### **Part 3: Register of overseas entities**

As mentioned above, the register of overseas entities was introduced by the Economic Crime (Transparency and Enforcement) Act 2022. It requires overseas entities owning land in the UK to register with Companies House and provide details about their beneficial owners. Its purpose is to increase transparency about land ownership in the UK, and therefore reduce the threat of money laundering via UK property.<sup>18</sup>

Part 3 of the bill would make certain changes to the 2022 act to maintain consistency with areas of the Companies Act 2006 changed by the bill. It would also make some additional changes, the need for which came to light following the 2022 act's enactment.

The provisions include:

- Changes to maintain consistency in the “false filing” offences set out in the 2022 act.
- Expanding the circumstances whereby an overseas entity is not considered to be “registered” to also include times where it is not complying with the duty to respond to information notices from the registrar. Its “registered” status affects its ability to deal with land.<sup>19</sup>

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<sup>18</sup> [Explanatory notes](#), p 14.

<sup>19</sup> As above.

- Amending the information requirements for the register of overseas entities.

## Part 4: Cryptoassets

Cryptoassets refer to digital currencies which can be transferred or exchanged digitally. One of the best-known examples is Bitcoin. The government explains that they were designed as a decentralised form of currency not connected to a bank or country:

Cryptoassets were designed to give individuals greater control over their finances, serving as a decentralised form of electronic currency that enabled peer-to-peer global transactions, without the input of a centralised authority such as a country or a bank.<sup>20</sup>

Due to the relative anonymity they offer and the speed at which transfers can be made, there are increasing concerns about their links to economic crime. Based on this, the government intends to use part 4 of the bill to strengthen the regime for seizing cryptoassets:

It is the government's view that it is necessary to strengthen the UK's asset recovery and counter-terrorist financing legislative frameworks to provide law enforcement agencies with the most effective and efficient powers to help seize and recover cryptoassets, in as many cases as possible. Without intervention, those assets may be used to fund further criminality or for terrorist purposes.<sup>21</sup>

The provisions would amend POCA and the Anti-terrorism, Crime and Security Act 2001 to subject cryptoassets to improved confiscation and civil recovery regimes (including forfeiture) when linked to economic crime or terrorism. These regimes are set out in schedules 6, 7 and 8 of the bill. The government hopes the powers would be simpler to use for law enforcement

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<sup>20</sup> HM Government, '[Factsheet: Cryptoassets technical](#)', 18 January 2023.

<sup>21</sup> [Explanatory notes](#), p 15.

agencies and would enable cryptoassets to be seized during the course of POCA investigations without first needing an arrest.<sup>22</sup>

## Part 5: Miscellaneous powers

Part 5 of the bill contains a range of provisions relating to different aspects of economic crime. This includes:

- **Defence against money laundering disclosures.** It would amend POCA to introduce exemptions from the principal money laundering offences “where a business in the regulated sector ends a business relationship with a client or customer and for that purpose hands over property worth less than £1,000; and where a business in the regulated sector is dealing with property for a client or customer and keeps hold of property worth at least as much as the part of that property to which the knowledge or suspicion relates”.<sup>23</sup> This is intended to decrease disruption and hardship to affected customers and businesses.
- **Information orders (IOs).** IOs are used by National Crime Agency (NCA) officers to develop intelligence on money laundering and terrorist financing. Provisions in the bill would include allowing NCA officers to proactively gather intelligence without reliance on a suspicious activity report. The government hopes the bill’s measures would increase the UK’s ability to support foreign partner financial intelligence unit requests.<sup>24</sup>
- **Disclosures to prevent, detect or investigate economic crime.** These clauses would mean that businesses which disclose information about customers for the purposes of preventing, detecting and investigating economic crime would not face civil liability for breach of confidence.
- **Regulatory and investigatory powers.** The bill would amend the powers of regulatory bodies in the legal services profession to

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<sup>22</sup> [Explanatory notes](#), p 15.

<sup>23</sup> As above, p 16.

<sup>24</sup> As above, p 17.

strengthen their position on enforcing economic crime rules. This would include removing the Solicitor Regulation Authority's fine cap (currently set at £25,000) where a solicitor or law firm is in breach of economic crime rules. It would also extend the Serious Fraud Office's pre-investigation powers so that they are no longer restricted to cases involving international bribery and corruption.

- **Enhanced due diligence: designation of high-risk countries.** The high-risk third countries list sets out those countries identified as having “strategic deficiencies” in their anti-money laundering, counter-terrorism financing and proliferation financing regimes, “thus posing a high risk to the UK and places from which all customers and transactions must undergo enhanced checks by the UK’s regulated businesses”.<sup>25</sup> The bill would “streamline the process” for amending this list, so that it could be done by a Treasury minister rather than through regulations. The government intends this to enable swifter updates, allowing the UK to respond quickly to the latest economic crime threats and provide more clarity for businesses.<sup>26</sup>
- **Reports on payments.** The explanatory notes explain that the Reports on Payments to Governments Regulations (SI 2014/3209) “require large businesses in the UK extractive industries to make annual reports on payments they make to overseas governments related to these activities”.<sup>27</sup> Clause 186 would amend these regulations to bring their structure of false statement offences into line with amendments to the Companies Act 2006. The intention is to provide consistency and clarity to businesses.

Finally, clause 187 in this part would require the government to lay annual reports before Parliament on the implementation and operation of parts 1 to 3 of the bill. This clause was added by the government during report stage (see section 3.3.1 of this briefing).

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<sup>25</sup> [Explanatory notes](#), pp 17–18.

<sup>26</sup> As above, p 18.

<sup>27</sup> As above, p 96.

## Part 6: General provisions

This part contains general provisions, including details on regulation-making powers, territorial extent and commencement. Most of the clauses apply to the whole of the UK; however, exact detail is provided in an annex of the explanatory notes.<sup>28</sup>

### 2. House of Commons proceedings

#### 2.1 Second reading

Introducing the bill at second reading on 13 October 2022, Home Secretary Suella Braverman highlighted the importance of cracking down on economic crime whilst maintaining the UK's open approach to business.<sup>29</sup> She said the government had passed the Economic Crime (Transparency and Enforcement) Act 2022 in light of the war in Ukraine, and was now going further through the measures in the new bill to tackle the overall issue of economic crime:

The Economic Crime and Corporate Transparency Bill will bear down even further on kleptocrats, criminals and terrorists, strengthening the UK's reputation as a place where legitimate business can thrive but economic crime cannot. Economic crime is a serious problem. It threatens our prosperity, national security and global influence. The UK has one of the world's largest and most open economies, and it is an extremely attractive place to do business. That is a good thing, but it also exposes us to economic crime, such as money laundering, corruption, the financing of organised crime and terrorism, and a growing range of state threats.<sup>30</sup>

Ms Braverman explained that the bill was just “one component of a wider

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<sup>28</sup> [Explanatory notes](#), pp 132–8.

<sup>29</sup> [HC Hansard, 13 October 2022, cols 281–9.](#)

<sup>30</sup> [As above, col 281.](#)

government approach to tackling economic crime, including fraud”.<sup>31</sup> She said it would “sit alongside the National Security Bill and the Online Safety Bill, and the forthcoming second economic crime plan and fraud strategy”.

Ms Braverman stated that the government had “consulted widely” on the measures in the bill and was working closely with the devolved administrations.<sup>32</sup> She also said there had been constructive engagement with the opposition and backbenchers on the legislation. She hoped the House would support the bill.

Shadow Home Secretary Yvette Cooper confirmed that Labour would be supporting the bill. However, she said the bill was long overdue and did not go far enough to properly tackle many of the issues.<sup>33</sup> For example, she spoke about further strengthening the information requirements in the bill and the need to tackle fraud:

We want to explore with the government going further on other measures, such as provisions to enable Companies House to publish and verify up-to-date information on shareholders, and provisions on third-party enablers of organised crime and kleptocracy. The home secretary will know that there have long been concerns about those who help organised criminals and kleptocrats hide their money, and who cover up for crime. The regime for preventing that and for effectively regulating high-risk sectors is still too weak [...]

Hon. members have raised concerns about the huge gap in the bill when it comes to tackling fraud, particularly serious corporate fraud—many members have raised concerns about the proposed legislation in that regard—but fraud more widely, too. It has become the single most common crime that we face, not just the most common economic crime [...] It is as though the government have shrugged their shoulders and said that criminals and fraudsters can have free rein. We must have

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<sup>31</sup> [HC Hansard, 13 October 2022, col 283.](#)

<sup>32</sup> [As above, col 285.](#)

<sup>33</sup> [As above, col 290.](#)



proper enforcement in place and take action on serious crimes.<sup>34</sup>

She said that Labour would seek cross-party action to strengthen the bill.<sup>35</sup>

The shadow SNP spokesperson for home affairs, Alison Thewliss, expressed a similar view, stating that the measures in the bill were overdue and that there were many ways they could be improved.<sup>36</sup> For example, she spoke about the need to improve the registration of companies at Companies House to avoid duplicate or false registrations and suggested that there should be higher registration fees. She also called for provisions to be added to the bill to prevent “companies from being controlled by opaque offshore entities, which do not need to disclose information on their owners or structures because of where they are based”.<sup>37</sup>

In addition, Ms Thewliss spoke about the issue of Scottish limited partnerships (SLPs), stating:

SLP registrations have plateaued since the rules were tightened, but they have not gone away. They have also continued to be implicated in money laundering, arms running and sanctions busting, including in respect of the Russian aggression against Ukraine. They are set up with partners in secrecy jurisdictions, with companies named as persons of significant control, which is against the rules. Linking to an actual person with an actual address would be progress, as would limiting the number of times that an address or person could be a company director. To date, enforcement and fines for breaching the rules that the government themselves set up have been few and far between. There is little point in having rules that are just not enforced.<sup>38</sup>

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<sup>34</sup> [HC Hansard, 13 October 2022, cols 293–4.](#)

<sup>35</sup> [As above, col 295.](#)

<sup>36</sup> [As above, cols 297–302.](#)

<sup>37</sup> [As above, col 299.](#)

<sup>38</sup> [As above, col 301.](#)

Seeking to respond to some of these issues, the then minister for enterprise and markets, Dean Russell, stated that the bill would improve verification checks and would “help the registrar remove fraudulent information”.<sup>39</sup> He also stated that Companies House had been allocated funds to enable it to progress with its transformation programme and ensure it was properly resourced for its new roles and responsibilities.<sup>40</sup> On the possibility of raising Companies House fees, Mr Russell stated that the bill gave the government more flexibility to adjust fees, but that this would be left to secondary legislation. He stressed the importance of ensuring fees were set at a level that would not put off prospective businesspeople.

Regarding SLPs, Mr Russell stressed that the reforms would tighten registration requirements for all limited partnerships and require them to demonstrate a firmer connection to the UK.<sup>41</sup>

He also said that the government was considering options to further tackle economic fraud by corporations, following a Law Commission review:

We commissioned the Law Commission in 2020 to undertake a detailed review of how the legislative system could be improved to appropriately capture and punish criminal offences committed by corporations, with a particular focus on economic crime. The Law Commission, as was mentioned in the House earlier, published that paper on 10 June 2022, just a few months ago, with the two strongest options being reform of the identification doctrine and the creation of a new criminal offence of corporate criminal liability for fraud, also known as failure to prevent fraud.<sup>42</sup> The government are carefully assessing the options presented and are committed to working quickly to reform criminal corporate liability.<sup>43</sup>

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<sup>39</sup> [HC Hansard, 13 October 2022, col 337.](#)

<sup>40</sup> [As above, col 338.](#)

<sup>41</sup> [As above, col 340.](#)

<sup>42</sup> Law Commission, ‘[Corporate criminal liability](#)’, 10 June 2022.

<sup>43</sup> [HC Hansard, 13 October 2022, col 340.](#)

Second reading was agreed without a vote.

## 2.2 Committee stage

Committee stage in the House of Commons took place across 19 sittings in public bill committee between 25 October and 29 November 2022.

A number of government amendments were made to the bill during committee stage. In addition, there was discussion on a range of amendments and new clauses proposed by the Labour Party and the SNP, with some of these being moved to a division. None of the opposition party amendments were successful.

Full coverage of committee stage can be found in part 8.2 of the House of Commons Library briefing '[Economic Crime and Corporate Transparency Bill 2022–23: Progress of the Bill](#)' (20 January 2023). Details on what happened with each amendment can be found in the [House of Commons' bill proceedings document for committee stage](#).

In addition, a brief summary is provided below.<sup>44</sup>

### 2.2.1 Government amendments

Government new clauses and amendments included:

#### Companies House reform

- New clauses allowing the use of delegated powers to apply some of the Companies House reform measures in the bill to overseas companies registered in the UK.
- New provisions allowing the secretary of state to require

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<sup>44</sup> This information is collated from the document House of Commons, '[Economic Crime and Corporate Transparency Bill: Committee stage decisions](#)', 29 November 2022.

businesses to obtain information and carry out checks to identify discrepancies with information publicly available on the register. They would also allow regulations to set out the requirements for checking information and to make it an offence for failing to comply.

- Amendments and new clauses allowing the registrar to take appropriate action when information is erroneous or misleading.
- Amendments so that sanctioned people are only disqualified under the directors disqualification provisions if their sanctions relate to asset-freezing.

The committee divided on two of the government amendments relating to the sanctions disqualifications, as Labour questioned whether someone with other Foreign, Commonwealth and Development Office sanctions was a “fit and proper person” to be a director.<sup>45</sup> The minister for enterprise, markets and small business, Kevin Hollinrake, responded:

What we are talking about here is financial sanctions. These matters relate to companies and financial sanctions, not to travel sanctions.

Let me explain these points further. Not automatically imposing these measures on potential future scenarios will give the FCDO the flexibility it needs to impose the most appropriate and meaningful conditions on people designated for financial sanctions beyond asset freezes. Without these amendments, director disqualification measures introduced by the bill would automatically apply to anyone against whom the designation power under section 9 of SAML 2018 [the Sanctions and Anti-Money Laundering Act 2018] is utilised—for example, transport or immigration sanctions, or any future measures that His Majesty’s Government choose to design. Although those are extremely serious matters, such sanctions ought not by necessity impact on the person’s ability to act as a company director. Furthermore, should there be a future need to extend director disqualification measures to people subject to those

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<sup>45</sup> House of Commons Public Bill Committee, [‘Economic Crime and Corporate Transparency Bill’](#), 3 November 2022, session 2022–23, 7th sitting, col 216.

broader sanctions, that can be done via future legislation as and when the need arises.<sup>46</sup>

The government amendments on this were agreed by 10 votes to 7.<sup>47</sup>

### **Limited partnerships**

- Amendments requiring each general partner that is a legal entity to confirm, when applying to register a legal partnership, whether its registered officer is identity verified or exempt.
- Amendments affecting the dissolution of limited partnerships; for example, where it ceases to have any permissible general partners.

### **Register of overseas interests**

- New clauses increasing the information requirements for overseas entities; for example, requiring details of its principal office and title numbers for interests in any land held by it.
- New clauses extending aspects of the bill's measures that apply to companies to overseas entities, and excluding certain information from public inspection.

### **Cryptoassets and anti-money laundering**

- Introducing schedule 6, which sets out a confiscation order regime for cryptoassets under POCA.
- Clauses and schedules to extend the civil recovery powers in POCA, the Anti-terrorism, Crime and Security Act 2001 and the Terrorism Act 2000. This is intended to tackle the use of cryptoassets in terrorism.

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<sup>46</sup> House of Commons Public Bill Committee, '[Economic Crime and Corporate Transparency Bill](#)', 3 November 2022, session 2022–23, 7th sitting, col 216.

<sup>47</sup> As above, cols 230–1.

- Amendments to offer further protection to businesses disclosing customer information between them in the anti-money laundering regulated sector, for the purposes of combating economic crime. These changes were intended to address business concerns about this information-sharing.

## **2.2.2 Opposition proposals**

This section briefly sets out some of the opposition amendments and new clauses defeated on division. As noted above, none of the opposition proposals were added to the bill. However, some were returned to at report stage (see section 3.3 of this briefing).

The amendments covered matters including:

### **Companies House reform**

- An SNP amendment to require the government to ensure the registrar has “sufficient resources” to carry out its duties.
- A Labour amendment requiring the registrar to verify the “appropriateness” of the address of a registered office.
- An SNP amendment allowing the registrar to limit the number of directorships someone held.
- Labour amendments requiring that penalties paid to the registrar be paid into a ringfenced fund for the purposes of tackling economic crime.
- A new clause tabled by Labour requiring any individual convicted of an offence for a “serious breach of the National Minimum Wage Act 1998” to be barred from being a company director.

### **Limited partnerships**

No opposition clauses were debated and moved to a division for this part of

the bill. However, a Labour clause which would have required regulations to be made about the registration of persons of significant control in relation to limited partnerships was defeated on division without debate.

In addition, there was general discussion about why various types of partnerships (and companies) were permitted to have directors that were not “natural persons”.<sup>48</sup> The government stated that secondary legislation would be introduced to cover this issue:

We will extend the requirement for identity verification to limited liability partnerships through secondary legislation. Where a limited liability partner is a corporate entity, we will require it to name a managing officer who must have their identity verified.<sup>49</sup>

### **Register of overseas interests**

- A new clause, tabled by Labour, which would have amended the wording of SAML A to require the introduction of open registers of beneficial ownership in each of the UK’s overseas territories.
- A Labour clause preventing companies from registering in the UK for the purposes of acquiring land if the company was originally incorporated in a jurisdiction designated, either by UK or international authorities, as a high-risk jurisdiction for money laundering and terrorist financing at the time of the company’s incorporation.
- A Labour clause to require more information about trusts that own land in the UK to be publicly available via the register (for example, information on who owns and benefits from it).

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<sup>48</sup> House of Commons Public Bill Committee, [‘Economic Crime and Corporate Transparency Bill’](#), 15 November 2022, session 2022–23, 12th sitting, cols 405–7.

<sup>49</sup> As above, col 407.

## **Unexplained wealth orders and anti-money laundering**

- Labour moved a clause requiring costs in civil recovery proceedings involving economic crime to be awarded against the enforcement authority only where the respondent could show that the enforcement authority had acted unreasonably, dishonestly or improperly.
- A Labour clause requiring regulations to set out further duties and powers for the Office for Professional Body Anti-Money Laundering Supervision. These powers would be targeted at tackling failures by professional body supervisors to comply with their anti-money laundering responsibilities.

### **2.3 Report stage**

Report stage took place across two days in the House of Commons, on 24 January and 25 January 2023. Day one covered the first three parts of the bill and day two covered the remaining parts.

#### **2.3.1 Day one: Parts 1, 2 and 3 of the bill**

##### **Government amendments**

The government made a number of amendments to the bill during day one of report stage, with each of these agreed without division. This included new clauses to require annual reports on the implementation and operation of the changes in parts 1 to 3 of the bill and to strengthen some of the director disqualification rules. It also included amendments to remove the power to exempt certain individuals from the identity verification requirements.

Explaining some of these changes, the minister for enterprise, markets and small business, Kevin Hollinrake, said that many responded to concerns



raised in committee:

We are taking a power to expand the registrar's data-sharing ability. That will future-proof the legislation and provide scope to expand the data-sharing gateway, if needed. We are also strengthening the range of sanctions for non-compliance with the register of overseas entities. Our new clause 8 [clause 32 of the bill as introduced in the Lords] will mean that a director can be disqualified if they breach an obligation under part 1 of the Economic Crime (Transparency and Enforcement) Act 2022, ensuring a consistent approach to tackling non-compliance between that act and the Companies Act 2006. Following discussions in committee, we are also removing the power to exempt certain individuals from identity verification requirements, having concluded that it is not essential.

As well as those important amendments, we are making improvements to the limited partnership reforms. We will ensure that a limited partnership's dissolution and deregistration is transparent and properly drawn to the attention of the public. There will be a legal requirement for these to be published on the Companies House website as well as in the Gazette. Again, this was discussed by opposition members in committee.

[...]

Partners of limited partnerships will also have to notify the registrar about a dissolution within 14 days of becoming aware, ensuring that the register can be kept up to date and accurate. New clause 12 [now clause 113] clarifies the interactions of the limited partnership reforms with regulation of UK investment funds. That will ensure that the measures work as intended.<sup>50</sup>

These changes were welcomed by Labour, with the shadow minister for

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<sup>50</sup> [HC Hansard, 24 January 2023, col 912.](#)

business and consumers, Seema Malhotra, declaring the identity verification amendments a “huge concession” to concerns raised in committee:

The government have tabled about 25 amendments that remove powers to exempt directors from identity verification requirements. That is a huge concession by the government to a central question asked by us in committee about the completeness of the legislation, the extent of the secretary of state’s powers and the challenge required for parliamentary oversight.<sup>51</sup>

Ms Malhotra also welcomed the government’s new clause 15, which would impose a duty on the secretary of state to lay before Parliament annual reports about the implementation and operation of parts 1 to 3 of the bill.<sup>52</sup> However, she wanted the government to go further with this, saying it was “surprisingly weak” on what Parliament could expect to see in the report.

As a result, she urged the government to accept Labour’s alternative proposals, set out in new clause 16. Ms Malhotra said this clause would have required more details on what the reports must cover. She explained:

Under our amendment, the purpose of the report would be clearer and stronger. We would have an annual report with an assessment as to whether the powers available to the secretary of state and the registrar were sufficient to enable the registrar to achieve her objectives under proposed new section 1081A of the Companies Act 2006, which is inserted by clause 1 [...]

[It would] specify further some of the information that should be brought forward and, crucially, calls for a detailing of instances—or maybe even numbers, depending on the reasons—in which exemption powers under the bill are used by the secretary of state. The minister will be aware of the concerns that we raised in committee about the

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<sup>51</sup> [HC Hansard, 24 January 2023, col 914.](#)

<sup>52</sup> As above.

need for Parliament to have transparency even on the number of uses of exemption powers under the bill.

[...]

Along with the report and the data in it, importantly, there would be recommendations about whether further legislation should be brought forward in response to that report and the information in it. That is extremely important, because that is where Parliament will have to make choices about whether it chooses to take further action.<sup>53</sup>

Ms Malhotra highlighted that clause 16 had cross-party support, including from the Conservative members Robert Buckland (MP for South Swindon) and Sir Peter Bottomley (MP for Worthing West). The SNP's Alison Thewliss spoke similarly about the need for new clause 16 in her speech.<sup>54</sup>

Responding to these points, Kevin Hollinrake argued that the government's approach was "broader and capable of providing more information to assist parliamentary scrutiny".<sup>55</sup> He believed that the registrar would ensure that the measures are carried out well and would report on this in its report. He also said that the annual reports would guide Parliament on the need for any further changes to achieve the policy intent, including through secondary legislation:

Companies House is an executive agency of my department, and I can commit that it will be obliged by the government to deliver on the policy intent and resourced to do so [...] Government new clause 15 is not just about process; it will ensure that Parliament is provided with reassurance on the further work that will be required after royal assent, such as the laying of secondary legislation or the development of IT.<sup>56</sup>

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<sup>53</sup> [HC Hansard, 24 January 2023, cols 915–6.](#)

<sup>54</sup> [As above, col 925.](#)

<sup>55</sup> [As above, col 954.](#)

<sup>56</sup> [As above, cols 954–5.](#)

Labour's proposed new clause was not called for a decision.

### **Proposed opposition amendments moved to a division**

Three opposition amendments, all proposed new clauses, were pushed to a division, two by Labour and one by the SNP. None of these were successful.

The two Labour amendments concerned disqualifying individuals convicted of a serious breach of the National Minimum Wage Act 1998 from being appointed as company directors (new clause 22), and requiring a report to be published on the authorisation of foreign corporate service providers (new clause 34). Seema Malhotra explained the purpose of these:

In our view, new clause 22 would strengthen the bill. We are talking about people whom we hope to have trust in to undertake their responsibilities as a director. The bill introduces a substantial amount of regulation about who can and cannot serve as a company director as a result of criminal or potentially criminal practices, so this feels like the right place for consideration of such a measure [...]

New clause 34 seeks transparency reporting on the involvement of foreign corporate service providers in the two main routes by which they may be authorised to conduct ID checks and to incorporate a company in the UK that is registered with Companies House [...]. New clause 34 seeks to create an obligation for the secretary of state to publish a report, first, into the number of authorised corporate service providers with a head office based outside the UK, by which we mean where the authorised UK subsidiary supervised by His Majesty's Revenue and Customs is beneficially owned by a company that is outside the UK; and secondly, on the number of foreign corporate service providers authorised by regulations set out in proposed new section 1098I(1) of the Companies Act 2006, which is amended by clause 63 (now clause 65).<sup>57</sup>

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<sup>57</sup> [HC Hansard, 24 January 2023, cols 917–8.](#)

Ms Malhotra feared that, as drafted, clause 65 could create a “backdoor route to the authorisation of foreign corporate service providers in a high-risk territory that falls outside money laundering regulations”.<sup>58</sup>

Addressing this point, Kevin Hollinrake dismissed the idea that legislation would be passed with such a “backdoor” in it: “in no way, shape or form is this about creating a backdoor, and we would very much expect this sort of thing to be in the annual report to Parliament on the implementation and operation of the bill”. Mr Hollinrake disagreed with the need for the new clause, and it was defeated by 291 votes to 231.<sup>59</sup>

Responding to the Labour amendment on disqualification for breaches of the National Minimum Wage Act (proposed new clause 22), he said that this was already covered by HMRC:

The national minimum wage enforcement team at HMRC, whose resources have been doubled over the last six years, as have the penalties for non-compliance, already refers appropriate cases to the Insolvency Service, which, as part of its normal remit, considers director disqualifications where appropriate. Indeed, three people were disqualified in 2021 for such transgressions.<sup>60</sup>

The proposed clause was defeated by 296 votes to 232.<sup>61</sup>

The proposed SNP clause (new clause 36) would have required the registrar to ensure the register was up to date and accurate, prior to the reforms coming into force, and to report to Parliament on its progress on this. The new clause (along with another proposed by the SNP) would also have required each director on the register to have a unique identification number. Labour had tabled similar amendments, and Seema Malhotra indicated Labour’s support for the clause.<sup>62</sup>

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<sup>58</sup> [HC Hansard, 24 January 2023, col 918.](#)

<sup>59</sup> [As above, cols 976–70.](#)

<sup>60</sup> [As above, col 957.](#)

<sup>61</sup> [As above, cols 963–5.](#)

<sup>62</sup> [As above, col 921.](#)

Explaining the clause, Alison Thewliss stated:

We must be able to keep a check on Companies House: that is why new clause 36 says that it should seek to ensure that registrations contain accurate, up-to-date information and that it comes back to update Parliament on its progress updating that register. We cannot expect these things to happen overnight, because it is a big register and there is an awful lot on it, but we must ensure that it is accurate. If it is not, there are very real consequences for our constituents [...] People have found themselves being defrauded when their names, their addresses or both have been used inaccurately. Those people have been chased or pursued by criminals and all kinds of things have happened to them because of fraudulent information on the Companies House register.<sup>63</sup>

Kevin Hollinrake said that the clause would require going through millions of pieces of information, which were being added to daily, and could therefore delay the reforms brought about by the legislation.<sup>64</sup> He also explained the government's stance on identification numbers, referring directly to concerns raised by Alison Thewliss about consolidating information on individuals:

I can reassure members that it is the government's policy to issue unique identifiers to all individuals who will be required to verify their identity. That includes new and existing directors of companies, as well as anyone filing information with Companies House. These unique identifiers will mean that Companies House can link an individual's verified identity across multiple data points, roles and company associations, to enable users of the register to search for an individual and find all relevant records.

[...]

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<sup>63</sup> [HC Hansard, 24 January 2023, cols 928–9.](#)

<sup>64</sup> [As above, col 956.](#)

It is already possible to search the Companies House database to a certain extent; for example, if she searches my name, my previous directorships all link together. We intend to improve the database by linking the hon. Lady's name, year and month of birth, address and any other companies she may be associated with. That will link those records, to give a holistic overview of her company associations.<sup>65</sup>

The proposed new clause was defeated by 290 votes to 233.<sup>66</sup>

### **Other amendments discussed**

A number of opposition, cross-party and Conservative backbench amendments were also tabled and discussed. However, none of these amendments or new clauses were added to the bill.

Discussion on other proposed amendments included:<sup>67</sup>

- A Labour clause calling for creditors or liquidators to be able to apply to restore a company to the register administratively. Ms Malhotra explained this was to address an issue whereby “unscrupulous directors can misappropriate the strike-off process to avoid scrutiny and rack up debts or sell company assets ahead of the company dissolution, absconding with the proceeds”.<sup>68</sup> She urged the government to deal with this during the bill's passage.
- Cross-party amendments on the resourcing of Companies House, including calls to increase the fee for setting up a company to £100. This increased fee level was backed by the chair of the House of Commons Treasury Committee, Harriet Baldwin, and members of the All-Party Parliamentary Group for Anti-Corruption and Responsible Tax.

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<sup>65</sup> [HC Hansard, 24 January 2023, col 955.](#)

<sup>66</sup> [As above, cols 971–4.](#)

<sup>67</sup> [As above, cols 901–81.](#)

<sup>68</sup> [As above, col 917.](#)

- Requiring the registrar to cross-check the information and identity of people of significant control status.
- Checks and measures to deal with phoenix and “burner” companies. This refers to companies that go bust and then re-establish themselves (“phoenixing”) or companies that exist for very short periods of time. Members from across the House particularly mentioned phoenixing, stating that it caused great distress for constituents and was linked to a lot of examples of fraud.
- Clauses concerning ID verification checks by authorised corporate service providers (ACSPs). These were intended to ensure their work was accurate, valid and to the right standards to supervise against money laundering. Both Dame Margaret Hodge and Simon Fell (Labour and Conservative members of the anti-corruption APPG) spoke about this issue at length, based on their concerns that professional body supervisors were not adequately carrying out their anti-money laundering responsibilities.

Kevin Hollinrake responded to some of these points in his concluding remarks.<sup>69</sup> For example, he stated that the government were committed to ensuring the system of checks involving ACSPs worked well, and would be involving the registrar in the scrutiny of their work:

The government are committed to ensuring that the checks carried out by ACSPs are robust. ACSPs will be required to carry out checks to at least the same standard as the registrar, who will be able to query any suspicious information. The registrar will establish a robust scrutiny process with anti-money laundering supervisors for onboarding ACSPs. If necessary, she can suspend or de-authorise an ACSP to exclude it from forming companies.<sup>70</sup>

On resourcing, Mr Hollinrake said the government was exploring this issue, and again stressed that the bill gave it more flexibility over Companies

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<sup>69</sup> [HC Hansard, 24 January 2023, cols 953–8.](#)

<sup>70</sup> [As above, col 956.](#)



## House fees:

The bill gives the government more flexibility to increase the fees and charges by broadening the range of functions that can be funded through those fees. The government are reviewing funding arrangements in the context of the reforms and are committed to ensuring that Companies House is fully resourced to perform its new role and functions [...] Companies House levies a range of fees, not just the up-front charge on incorporation, and I confirm that we are exploring a range of options about how fees will evolve.<sup>71</sup>

Finally, addressing the concerns about phoenixing, Kevin Hollinrake said the government believed this would be adequately covered by the measures in the bill:

We feel there are provisions that will be implemented through this bill that will provide safeguards against such behaviour. Suitable coverage is already provided by the existing rules, and there are new powers in the bill that give the registrar of companies a power to compel people to provide information in the context of the examination of information on the register, and to interrogate and share that data with other authorities.<sup>72</sup>

### **2.3.2 Day two: Parts 4, 5 and 6 of the bill**

#### **Government amendments**

As with day one, a number of government amendments were made to the bill, all agreed without division.

Speaking to the government amendments, Minister for Security Tom Tugendhat explained that a number were technical, with many focused on

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<sup>71</sup> [HC Hansard, 24 January 2023, col 956.](#)

<sup>72</sup> [As above, col 957.](#)

ensuring the cryptoassets measures worked effectively.<sup>73</sup> Addressing the more substantive amendments, he gave the following detail:

New clause 14 [now clause 184] allows the Solicitors Regulation Authority [SRA] to proactively request information from its regulated community for the purpose of monitoring compliance with the economic crime regime. It will enable the SRA to monitor and detect breaches of the rules and legislation related to economic crime, including offences related to money laundering, terrorist financing and sanctions.

[...]

Government amendments 44 to 47 to clauses 171 and 172 [now clauses 175 and 176] concern information orders. They seek to clarify the cases in which the information order power can be used and to provide clarity to operational partners about how they should be used. They will ensure that the power can be used only for the criminal intelligence functions of the National Crime Agency, and that when assessing a request for information from a foreign intelligence unit, the NCA must be satisfied that the information would support the Financial Intelligence Unit's intelligence function.

Government amendments 48 and 49 concern information sharing. In committee, opposition members rightly pointed out that our proposed definition of large accountancy firms did not include insolvency practitioners, auditors and tax advisers. I thank them for that. These amendments will rectify that omission by expanding the scope of the indirect information sharing clauses to include those sectors.<sup>74</sup>

Although he said he had found the government's tone to be constructive during the proceedings, Shadow Minister at the Home Office Stephen

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<sup>73</sup> [HC Hansard, 25 January 2023, col 1051.](#)

<sup>74</sup> As above.

Kinnock expressed disappointment at the government's reluctance to take on more opposition and backbench amendments to the bill, including many of those raised at committee stage.<sup>75</sup> He said this was a missed opportunity, and pointed to the government's new clause 14 as an example:

The new clause seeks to expand access to information relevant to economic crime enforcement efforts, but focuses only on the Law Society and "any other approved regulators specified by the Lord Chancellor".

Put simply, local authorities need these powers, too. Tackling economic crime is a huge challenge for councils due to the lack of licence they have to act on their own intelligence about crime in their local areas.

[...]

Disappointingly, following opposition from ministers to amendments we tabled in committee that sought to expand powers for local authorities to enforce economic crime laws, there are still no specific provisions to enhance the ability of councils to act.<sup>76</sup>

Alison Thewliss expressed the SNP's support for the government amendments. However, she believed there were still a lot of opportunities to strengthen the bill.<sup>77</sup>

### **Proposed opposition amendments moved to a division**

Three non-government clauses were moved to a division, but none were successful.

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<sup>75</sup> [HC Hansard, 25 January 2023, col 1054.](#)

<sup>76</sup> [As above, col 1055.](#)

<sup>77</sup> [As above, cols 1071–3.](#)

The first of these, tabled by Layla Moran, Liberal Democrat spokesperson for foreign affairs and international development, and supported by Labour and the SNP, related to the tier I (investor) visa scheme, often referred to as ‘golden visas’. The scheme was closed by the government in February 2022 due to concerns about its abuse and links to economic crime.<sup>78</sup>

The clause sought to require the government to publish the full findings of a Home Office review of the tier I (investor) visa scheme which related to economic crime. This review covered the operation of the scheme between 30 June 2008 and 6 April 2015.<sup>79</sup>

A summary of the review was released by the government on 12 January 2023.<sup>80</sup> However, speaking to her proposed new clause, Layla Moran said that this did not go far enough and called for the release of the whole review:

Given that we waited five years, and given that the government and successive ministers had promised from the dispatch box that we would get some or all of those answers, we were entitled to a substantive response. When the review was published, my heart sank, because instead of what they had promised, the government published what they termed a “summary” of the recommendations—not even the actual recommendations themselves, but a summary. Furthermore, the summary frankly told us nothing that we did not already know. It is galling that we still do not know how many people have exploited this system. The statement did not even give us a number or a rough ballpark figure for golden visa holders who had been identified as a risk. The government admitted that they had identified a “small minority” [...]<sup>81</sup>

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<sup>78</sup> Home Office, [‘Tier I Investor Visa route closes over security concerns’](#), 17 February 2022.

<sup>79</sup> House of Commons, [‘Written statement: The Tier I \(Investor\) route: Review of operation between 30 June 2008 and 6 April 2015’](#), 12 January 2023, HCWS492.

<sup>80</sup> As above.

<sup>81</sup> [HC Hansard, 25 January 2023, col 1082.](#)

She sought an explanation for this approach, and said that the matter undermined the principles of transparency about economic crime that they were working towards through the bill.

The government did not respond on this matter during the proceedings. However, in response to a previous written question from Ms Moran to publish the full findings, Mr Tugendhat stated:

Given the importance of protecting operational sensitivities in the law enforcement process, and guided by the advice we have received from our operational partners we will not be commenting further.<sup>82</sup>

The new clause was defeated by 290 votes to 220.<sup>83</sup>

The other two divisions related to new clauses proposed by Labour; one on publishing a strategy looking at setting up a compensation fund for victims of economic crime (new clause 27), and one requiring open registers of beneficial ownership in each of the British Overseas Territories (new clause 26).

Discussion on new clause 26 had actually been held the previous day, with Seema Malhotra explaining the proposed new clause as follows:

There should be no double standards in the legal requirements for transparency of beneficial ownership across different parts of the UK, including the overseas territories. We have witnessed too many scandals involving money being laundered through territories for whose administration the UK is ultimately responsible to accept the idea that we must simply leave them to their own devices.<sup>84</sup>

The government did not address the new clause on either day. It was

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<sup>82</sup> House of Commons, '[Written question: Visas: Foreign investment in UK](#)', 18 January 2023, 122243.

<sup>83</sup> [HC Hansard, 25 January 2023, cols 1096–8.](#)

<sup>84</sup> [HC Hansard, 24 January 2023, col 921.](#)

defeated upon division by 289 votes to 222.<sup>85</sup>

Speaking to proposed new clause 27 on a potential victims' compensation fund, Stephen Kinnock said that the lack of consideration or support for victims represented a "gaping hole" in the bill.<sup>86</sup> He called for the government to explore how a compensation fund could be achieved.

Intervening during Mr Kinnock's speech, Kevin Hollinrake expressed concerns about the potential cost of the scheme and whether it would have to be covered by the taxpayer.<sup>87</sup> Responding to this, Mr Kinnock said that Labour believed it should be funded through the seizure of assets and compensation received from those found to be committing economic crimes. Labour also hoped it could be applied further than just the UK.

There was no further government comment on the proposed new clause. It was defeated upon division by 289 votes to 221.<sup>88</sup>

## **Other amendments discussed**

Several opposition, cross-party and Conservative backbench amendments were also tabled and discussed. Although none of these were added to the bill, the government did indicate that some issues would be considered further.

One issue that the government said it would be returning to was "failure to prevent" offences. This specifically related to three new clauses tabled by Robert Buckland, and supported by MPs from all parties, that would have introduced the offence of "failure to prevent fraud, false accounting or money laundering". The clauses would have allowed this to be applied to corporations or corporate officers.

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<sup>85</sup> [HC Hansard, 25 January 2023, cols 1100–2.](#)

<sup>86</sup> [As above, cols 1058–9.](#)

<sup>87</sup> As above.

<sup>88</sup> [HC Hansard, 25 January 2023, cols 1104–6.](#)

Mr Buckland spoke at length about his proposals, noting that the principle of “failure to prevent” had been introduced in the Bribery Act 2010 and there had been many recent recommendations for similar offences to apply in relation to economic crime.<sup>89</sup> This included from the Law Commission and the House of Lords Fraud Act 2006 and Digital Fraud Committee.<sup>90</sup> He said that he had deliberately kept his proposals modest, but felt that this bill could be the last opportunity in this parliament to bring forward these changes. He said they were important for the nation’s reputation, economy and security.

The importance of dealing with this matter was also stressed by Labour, the Liberal Democrats and the SNP. For example, Stephen Kinnock stated:

There is a well-established and proud tradition of groundbreaking UK law on holding company executives to account for misdeeds committed in their names, or in the names of corporations they are responsible for running. A precedent was set by the Bribery Act 2010, which was passed by the last Labour government. The government built on that example in the Criminal Finances Act 2017 by introducing new corporate criminal offences related to failures to prevent the facilitation of tax evasion both in the UK and overseas. Extending those “failure to prevent” offences to a wider range of economic crimes is the logical and natural next step.<sup>91</sup>

Tom Tugendhat responded positively to Robert Buckland’s clauses and his calls for the issue to be dealt with in the bill. Mr Tugendhat indicated the government would work with Mr Buckland on proposals to be introduced during the Lords stages that would fit within the constraints of the bill:

[H]e and I agree that reform is required. That is why the government

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<sup>89</sup> [HC Hansard, 25 January 2023, cols 1061–70.](#)

<sup>90</sup> Law Commission, ‘[Corporate criminal liability](#)’, 10 June 2022; and House of Lords Fraud Act 2006 and Digital Fraud Committee, ‘[Fighting fraud: Breaking the chain](#)’, 12 November 2022, HL Paper 87 of session 2022–23.

<sup>91</sup> [HC Hansard, 25 January 2023, cols 1056–7.](#)

commissioned a review by the Law Commission, which my right hon. and learned friend cited and which showed a definite need to clamp down on economic crime conducted by commercial organisations. We have been working closely across government and with prosecutors in carefully considering its recommendations and how improvements can best be made. It is vital that any reform can be used by law enforcement agencies, does not duplicate what already exists and avoids placing unnecessary burdens on legitimate businesses, but we must also operate within the constraints of the bill.

I share my right hon. and learned friend's passion for change. I am immensely grateful for his thoughtful input, and I greatly value my engagement with him, and with other members, on this issue. I can assure him that the government intend to address the need for a "failure to prevent" offence in the other place, and I would welcome further discussion with him about the most effective way in which that can be done.<sup>92</sup>

Another issue which attracted a lot of discussion was the use of strategic lawsuits against public participation, or SLAPPs. This refers to the use or threat of legal action to silence, intimidate or harass critics. There have been increasing reports of its use.<sup>93</sup> In a consultation document in July 2022, the government stated:

Typically used by the super-rich, SLAPPs stifle legitimate reporting and debate. They are at their most pernicious before cases ever reach a courtroom, with seemingly endless legal letters that threaten our journalists, academics, and campaigners with sky-high costs and damages.

SLAPPs pile on the pressure until investigations into corruption are shut down, and some individuals or corporations are regarded as 'no go' zones, because of the risk of legal retaliation.

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<sup>92</sup> [HC Hansard, 25 January 2023, col 1093.](#)

<sup>93</sup> Solicitors Regulation Authority, '[Strategic lawsuits against public participation](#)', 28 November 2022.



It's especially concerning that—with the war raging in Ukraine—these baseless legal claims are being made by oligarchs and corporations who bankroll the Putin regime, exploiting our laws and jurisdiction to muzzle free speech, and prevent journalists and campaigners from shining a light on corruption.<sup>94</sup>

The discussion focused on proposed new clauses 1 and 2, tabled by Liam Byrne (Labour MP for Birmingham Hodge Hill), which both received cross-party support. The new clauses aimed to protect people from SLAPPs where the information was likely to be relevant for the investigation of economic crime.

Speaking on the purpose of the new clauses, Mr Byrne explained:

It would not stop all strategic legal actions against public participants, but it would stop anybody attempting to silence journalists who are trying to reveal economic crimes. It is within scope; I am grateful to the clerks for their work helping to refine it and make it good. I know that the minister will say, as he said in committee, that this is not the right bill for it, or that it would not solve all the problems, but that is an argument for making the perfect the enemy of the good.<sup>95</sup>

He outlined a number of cases where SLAPPs had been used to cover up economic crime or delay investigations into it, including use by oligarchs.<sup>96</sup>

David Davis (Conservative MP for Haltemprice and Howden) also spoke about SLAPPs, setting out additional examples of their use.<sup>97</sup> Stressing the importance of dealing with the issue, he said:

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<sup>94</sup> Ministry of Justice, '[Strategic lawsuits against public participation: Government response to call for evidence](#)', 20 July 2022.

<sup>95</sup> [HC Hansard, 25 January 2023, col 1090.](#)

<sup>96</sup> [As above, cols 1087–91.](#)

<sup>97</sup> [As above, cols 1074–5.](#)

We have a legal system that is probably the most brilliant in the world in delivering fair outcomes and good justice, but it is also phenomenally expensive, which means it is one-sided in its operation between an oligarch and an ordinary citizen, journalist or whoever they may be [...] In conjunction with that are the things that flow from it, such as the behaviour of solicitors [...] The private investigators industry, unregulated, undertakes crimes to gather information for use as weapons against other people. Our courts—not uniquely, but outstandingly—allow that information to be used. In each individual case that might be the right decision, but the collective effect of that is to suck criminally based information into our system and therefore engender and help the industry.

All that is why new clause 1 and 2 are vital. That all had the effect of creating a vast, possibly unintentional institutional cover-up for criminal activity: money laundering, fraud and concealment of evil actions abroad.<sup>98</sup>

Stephen Kinnock noted that the government’s July 2022 consultation on SLAPPs promised that legislation to address the issue would be brought forward at the “earliest opportunity”.<sup>99</sup> He questioned why this had not happened and noted further recent reports of their use.

Responding on this matter, Tom Tugendhat said that the government was considering how to proceed on SLAPPs, but that this would have to be dealt with in a future bill.<sup>100</sup>

Other proposals that attracted discussion included:

- A cross-party clause that would have required the government to report to Parliament on the merits of further regulatory measures

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<sup>98</sup> [HC Hansard, 25 January 2023, col 1075.](#)

<sup>99</sup> [As above, col 1056.](#)

<sup>100</sup> [As above, cols 1051–2.](#)

for preventing the circulation in the economy of the proceeds of economic crime controlled by individuals or entities subject to sanctions. Speaking about this, Jonathan Djanogly (Conservative MP for Huntingdon) believed the proceeds of economic crime circulated in the economy almost unimpeded and had a negative effect in the UK and beyond.<sup>101</sup> This matter was also discussed in the context of whether frozen assets could be repurposed for positive uses; for example, supporting the reconstruction of Ukraine.<sup>102</sup>

- A Labour clause to establish a joint parliamentary committee on economic crime, similar to the Intelligence and Security Committee. Stephen Kinnock believed this would allow better scrutiny.<sup>103</sup>
- A cross-party clause, tabled by Mary Robinson (Conservative chair of the APPG on Whistleblowing) to set up an Office for Whistleblowers. Ms Robinson said that the proposed office should encourage, support and advise whistleblowers, providing a safe place to share information.<sup>104</sup> She said that whistleblowers were a key tool for exposing economic crime.

The whistleblower proposals were welcomed by Tom Tugendhat.<sup>105</sup> He said that he agreed that something was needed in this area. Despite this, he claimed the proposals in her clause would be a large undertaking and could duplicate work of other regulators: “it would have major financial applications owing to its size, it would require significant staffing, and, as matters stand, it might duplicate the role of regulators without the same level of sector expertise”.<sup>106</sup> However, Mr Tugendhat noted that conversations were ongoing between Ms Robinson and the secretary of state about the issue.

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<sup>101</sup> [HC Hansard, 25 January 2023, cols 1084–5.](#)

<sup>102</sup> [As above, col 1076.](#)

<sup>103</sup> [As above, col 1058.](#)

<sup>104</sup> [As above, cols 1078–81.](#)

<sup>105</sup> [As above, col 1094.](#)

<sup>106</sup> As above.

The principle of an Office for Whistleblowers is also the subject of a House of Lords private member's bill introduced by Baroness Kramer (Liberal Democrat).<sup>107</sup>

## 2.4 Third reading

Speaking just in advance of third reading, at the end of report stage, Tom Tugendhat accepted that improvements could still be made to the bill, and expected much discussion of this in the House of Lords.<sup>108</sup> However, he did believe the bill would already put the country in a better place to combat economic crime:

No doubt there are areas where all of us could tweak, adjust, test and push, but we think that the bill offers major progress on the situation where we began; I am delighted that that point was shared across this House. So although there are areas where we could have further discussion—I am sure the other place will have criticisms and comment, and we will have improvements and additions—we feel that this bill, as it stands, is a vast improvement on where we are. Although there is progress to be made, and there always will be, we believe that the bill marks a useful point of progress for our country in fighting economic crime.<sup>109</sup>

He then thanked all those who had worked on the bill during his speech to open third reading.<sup>110</sup>

Stephen Kinnock welcomed these remarks, and said that Labour remained committed to working with the government to continue to improve the bill during its Lords stages:

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<sup>107</sup> House of Lords Library, '[Protection for Whistleblowing Bill \[HL\]: HL Bill 27 of 2022–23](#)', 21 November 2022.

<sup>108</sup> [HC Hansard, 25 January 2023, col 1094](#).

<sup>109</sup> As above.

<sup>110</sup> [HC Hansard, 25 January 2023, col 1113](#).

Of course the bill offers an outstanding opportunity to deliver the change we all want to see. As we have said on many occasions, it is a step in the right direction and we are supporting it on third reading, but of course it still does not go far enough on SLAPPs, golden visas, information sharing, corporate transparency, corporate criminal liability, compensating victims or, indeed, structures for enforcement.

[...]

We look forward to the progress that we wish to see being made in the other place as rapidly as possible. It is not too late, there is still time, and I genuinely hope that the remaining stages of the bill will see the gaps filled, the loopholes closed, and the opportunities seized.<sup>111</sup>

Similarly, Alison Thewliss welcomed the cross-party efforts to improve the bill.<sup>112</sup> She hoped that the government would take this on, reflect on how the legislation was seen and approve amendments in the Lords to “make it befitting of the commitment that we all have to seeing economic crime removed”.<sup>113</sup>

The bill passed third reading without a division.

### 3. Commentary and further reading

The bill has been broadly welcomed by external bodies. For example, the anti-corruption charity Transparency International UK said it was long overdue and would strengthen the UK’s defences to economic crime.<sup>114</sup> However, it also argued there were gaps in the legislation; for example, it

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<sup>111</sup> [HC Hansard, 25 January 2023, col 1115](#).

<sup>112</sup> As above.

<sup>113</sup> [HC Hansard, 25 January 2023, col 1116](#).

<sup>114</sup> Transparency International UK, ‘[Economic Crime and Corporate Transparency Bill: Companies House reform welcome but gaps remain in Britain’s dirty money defences](#)’, 22 September 2022.

called on more to be done to prohibit control of companies by “opaque offshore entities” and believed the fees for setting up companies should be increased to ensure agencies dealing with economic crime were properly funded.

Similar points were raised by the UK Anti-Corruption Coalition, which represents groups campaigning on the issue. In a briefing paper published in advance of report stage, it described the bill as a “crucial contribution” to tackling economic crime.<sup>115</sup> However, it listed a number of areas where it wanted to see the bill improved, many of which were raised by members in the bill’s House of Commons report stage, including:

- introducing an Office for Whistleblowers
- giving courts powers to strike out SLAPPs
- creating new “failure to prevent” offences for fraud and money laundering for corporations and senior directors

Further information on each, and the other measures it called for, is in the coalition’s full briefing.<sup>116</sup>

The Law Society also welcomed the bill.<sup>117</sup> It hoped the Companies House reforms will improve transparency and strengthen the business environment. However, it believed the legislation could be amended to provide greater clarification for businesses on the new requirements and expressed concerns about removing the SRA cap. On the latter point, it stated:

We are concerned about the government's proposal to allow the SRA the ability to impose limitless financial penalties for economic crime disciplinary matters. The SRA's fining powers have only just been

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<sup>115</sup> UK Anti-Corruption Coalition, ‘[Commons report stage briefing: Economic Crime and Corporate Transparency Bill](#)’, 2022.

<sup>116</sup> As above.

<sup>117</sup> Law Society, ‘[Economic Crime and Corporate Transparency Bill](#)’, 20 October 2022.

substantially increased in relation to traditional firms and individuals from £2,000 to £25,000.

We're concerned about what the proposed additional powers could mean for our members and how effective they will be in combating economic crime. The proposed unlimited powers would also potentially include many more serious or significant cases that currently go before the Solicitors Disciplinary Tribunal—we maintain that this should remain the case.<sup>118</sup>

UK Finance, which represents firms in the banking and finance sector, said that “in order to deliver a more effective economic crime regime”, the bill needed to be amended in a number of areas.<sup>119</sup> This included recommended amendments to achieve a “more cautious” approach to the use of ACSPs by Companies House and to increase registration fees to ensure the registrar’s new duties were properly resourced.

#### 4. Read more

- House of Commons Library, [‘Economic crime in the UK: A multi-billion pound problem’](#), 6 April 2022; [‘Economic crime enforcement resourcing’](#), 6 July 2022; and [‘Regulation of cryptocurrency’](#), 20 January 2023
- House of Commons Treasury Committee, [‘Economic crime’](#), 2 February 2022, HC 145 of session 2021–22; and [‘Government response’](#), 28 April 2022
- House of Lords Fraud Act 2006 and Digital Fraud Committee, [‘Fighting fraud: Breaking the chain’](#), 12 November 2022, HL Paper 87 of session 2022–23
- House of Commons Business, Energy and Industrial Strategy

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<sup>118</sup> Law Society, [‘Economic Crime and Corporate Transparency Bill’](#), 20 October 2022.

<sup>119</sup> UK Finance, [‘Written evidence submitted for the Economic Crime and Corporate Transparency Bill’](#), 11 November 2022

Committee, '[Oral evidence sessions on fraudulent company registrations: Economic Crime and Corporate Transparency Bill](#)', accessed 31 January 2023

- The City of London Law Society and the Law Society, '[Economic Crime and Corporate Transparency Bill 2022](#)', 7 October 2022



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