HOUSE OF COMMONS

Business and Trade Sub-Committee on Economic Security, Arms and Export Controls

Oral evidence: Economic Crime, HC 798

Wednesday 19 March 2025

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Watch the meeting

Members present: Liam Byrne (Chair); John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Charlie Maynard.

Foreign Affairs Committee member present: Phil Brickell.

Treasury Committee member present: John Glen.

Questions 21- 74

Witnesses

II: Louise Smyth, CEO and Registrar, Companies House; and Martin Swain, Director of Intelligence and Law Enforcement, Companies House.

Examination of witnesses

Witnesses: Louise Smyth and Martin Swain.

Q21 **Chair:** Welcome to the second panel in today's Sub-Committee hearings on economic crime. Louise and Martin, thank you so much for joining us and for your forbearance as we performed our democratic obligations this afternoon. I am really grateful to you for hanging around.

Louise, perhaps I could start with you. We have heard some quite alarming expert testimony this afternoon, suggesting that there are LLPs on the register today that are engaged in sanctions evasion and potentially money laundering, as well as weapons smuggling. Could you give us a sense of how problematic the Companies House register is today? We realise that you are on a journey of transformation. Eighteen months on, what the Sub-Committee needs to know is where you feel you have got to on that journey, and what the chief risks are that you, as the chief executive, feel are still open.

Louise Smyth: We are actually only a year on from the Act receiving Royal Assent, so we have had a year where we have been taking action.

To widen it out, prior to the Act, we were very constrained in what we could do. Legally, we had to accept information that was provided to us and to put it on the register. That was very really frustrating for us. We got a lot of bad press, and that bad press was right and fair, because we were putting information on the register that we could see was fraudulent or was not right, but we were legally bound to accept what was provided to us.

We were really pleased to get the new powers in the Act. In Companies House, we are really committed to using those powers to make a difference. But as somebody said earlier, it is a tanker that we are turning. Information has been provided to us for years, and criminals have evolved during that time. As we start to use the new powers, we are seeing the criminals continue to evolve. So I do not think that there will be a quick fix to this. We need to just keep pushing on, and each step we take forward will make a difference.

Q22 **Chair:** As we sit here this afternoon, what are the top three worries you have about the integrity of the operation today? This Committee is worried about our nation's protections against economic crime. You are stewarding one of the most important defences that we have. As the chief executive, what are two or three top things that you are most worried about as we sit here this afternoon?

Louise Smyth: We are about to implement IDV—identity verification of people. That is a massive undertaking and a massive step forward in terms of us being able to know who we are dealing with. It is due to go live on a voluntary basis next month, and then compulsorily from the autumn of this year. We will have to get between six million and seven million individuals through that identity verification process. We are aiming to do it within a year, because the sooner we complete that process, the more evidence we will have to be able to take action against people.

An added dimension is that we will have to get through people with foreign passports that are not biometric. We will need additional measures to be able to verify their identity. It is a big undertaking, but it is such an important step in the fight against economic crime that we it is important that we get it right.

Q23 **Chair:** Have you told Ministers that that task is doable?

Louise Smyth: Yes, we think it is doable, otherwise we would not be continuing; we would be doing something else. But it is risky. I am not so worried about the identification of UK nationals with biometric passports, because we are using One Login, the Government's system, which is proven and is being used extensively across Government. But I am worried about those edge cases.

I am also concerned about the impact. We are tying this to one of the two filings that people have to do with us—their confirmation statement. The way we are approaching it is that if the directors have not gone through the identity verification process, they cannot file their documents with us, which is the incentive for people to do this. But, on the other hand, we could end up with a serious non-compliance problem that would cause us some difficulties operationally to resolve. Our primary goal is to achieve compliance on the register and to make sure that the register is as accurate, and its integrity is as good, as possible. A big non-compliance problem would cause some difficulties.

Q24 **Chair:** Are there other warning notes that you would like to sound at this stage, before some of these very significant changes come into force?

Louise Smyth: It is just the scale. It was interesting that the earlier panel talked about whether we needed more resources. To be fair, we have had the resources. We have had a lot of support from Government with the money we have asked for so far. We have another spending review coming, but we have been given the money and resources we have asked for. We have been able to fund a lot of our work through fees, which is helpful in terms of the public purse.

However, the scale of change is enormous, and Companies House is a relatively small organisation. We have increased dramatically in size, and we are now at about 1,800 people, compared to about 700 or 800 when I started in the organisation, but—

Q25 **Chair:** Many of us on this Committee have been through big Government transformation programmes. A couple of us have been Ministers and have had officials come to us and say, "This has not gone as we thought. Actually, it's going a bit wrong. We need some significant extra resources." Do you foresee a risk that Companies House will need to ask for extra resources to deliver the programme of change in the next 12 months?

Louise Smyth: We have the money and the resources for the next 12 months. I was trying to get to the issue of capacity; at the moment, just throwing resources in would not necessarily help us. For example, we have a very full digital agenda, and telling me we can have more resources does not help, because we have a recruitment problem as it is. Like many Government Departments, we cannot attract the digital resources we need, because the pay is not good enough.

Q26 **Chair:** Roughly how many open vacancies have you got today?

Martin Swain: It is about a 15% vacancy rate.

Louise Smyth: Yes.

Chair: That is high.

Louise Smyth: Yes. A lot of them are in the digital space, which is where we find the most difficulty recruiting. We do not have difficulty recruiting operational staff. We are lucky in our locations—south Wales, Belfast and Edinburgh—because they are attractive for operational staff. Martin, you have some difficulty in your area with high turnover, don't you?

Martin Swain: Yes. It is just the competition in the market, particularly in south Wales, where the head office is based. There are some other quite large Government Departments moving similar kinds of resources into that space—HMRC, DWP, immigration, intelligence. Even where we had success initially recruiting people, because they could see the change in Companies House, which was a really attractive place to come and work—

Q27 **Chair:** What is the vacancy rate in digital roles?

Louise Smyth: I think it is about 20%, so it is more than normal.

Chair: It is quite high.

Louise Smyth: It is in particular areas. We have had difficulty with business analysts and architects. Other areas are fine. Obviously, when you are making a lot of change, you need good business analysis to be able to deliver.

Q28 **Chair:** Have you got a sense of what the churn rate is each year in digital roles?

Louise Smyth: No, I do not have that to hand.

Chair: Okay.

Louise Smyth: I can provide it.

Chair: Let's see if we can get that on the record too in correspondence. Let me turn to Sarah Edwards.

Q29 **Sarah Edwards:** Mr Swain, the last time you gave evidence, you said that you could not quite give us a clear estimate of the percentage of companies on the register that contained false information. Have you got any further in being able to give any figures on that?

Martin Swain: The figure we were working at when we started reform, when we were looking at legislation, was around 5%, which was based on a statistical analysis of fraud across the public sector. We were using reasonable evidence to base that on.

I think there is commentary out there that it could be as high as 20%, which is going to be around about 1.2 million companies. When we say they are there for suspicious purposes, they could be there with errors on the register, or they could be there for criminal purposes. But for our planning purposes, we are using that range, and we are probably erring towards the higher figure.

Q30 **Chair:** 1.2 million?

Martin Swain: Given our experience in the last 12 months, and the activity we have seen on the register, if you were tracking what happened when the Bill came in, we saw a massive increase in what we describe as mass incorporations, where overseas-based people, in the main, were incorporating literally thousands of companies at single addresses or multiple addresses in a street. We never expected that spike. For my planning purposes, in terms of trying to disrupt that activity, we are working at the upper end.

I can tell the Committee that we are learning more and more about the types of companies. From a mass incorporation perspective, we are able to track that typology and intervene. We are now stopping companies getting on the register where we know there are known addresses, or what I define as addresses of concern.

Q31 **Sarah Edwards:** Have you developed a model? These flags are going up and pinging. Do you have, or are you creating, software based on the analysis that you are doing?

Martin Swain: We have invested. One of the developments we have put quite a bit of money into is something called a cloud data platform. Basically, we were able to put all our data into the cloud. The data analysts could give a far better explanation than I can, but effectively all the data is put in one place, so that when the analysts want to run those risk flags, they pull the data down, instead of trying to pull it from different places.

We are careful about talking too openly about the approach we take, because that clearly tips off the people trying to do things on the register. But investing in that technology certainly enables analysts in my intelligence team to easily access data and information. We use tools like Power BI to build systems where we can try and look at what is coming in in incorporation.

Some of our data scientists did some very good work around issue of the address misuse. We were trying to predict, using risk flags. We were trying to predict where we could see an address being hijacked. When we trialled it, we had a really good success rate.

We can use quite a lot of what we describe as machine learning techniques. Our chief data officer is very actively exploring how artificial intelligence can be brought into our systems to help us. Often the challenge we have with some of the issues we are trying to solve, even when we deploy AI or machine learning, is that individual members of our team ultimately end up being required to look at them in more detail.

From where we were last time, I don't think I could ever give you a figure, because things move and organised criminals change their typology, so we do not see the mass incorporations at single addresses now; we see a different typology that we are tracking. We are constantly trying to intervene.

The best intervention we can make is at the front end, stopping the company being incorporated in the first place. We are trying to invest in that technology quite heavily, but also putting people in that area of work.

Q32 **Chair:** So, hand on heart, what is your own personal sense of the number of fraudulent companies? If you had to put a finger on a number, what is your gut feeling?

Martin Swain: The danger with me giving my gut feeling and my figure is that I am held to it, but I would probably say it is towards the upper end of that 15% to 20%.

Louise Smyth: Which illustrates the scale of the challenge, and also how the criminals change what they do when they see what we are doing.

Chair: It is important for us because, as a Committee, we have to hold your Ministers to account in terms of ensuring you have the right resources to do the job. It is really important for us to understand the scale of the task that you as frontline professionals think you have.

Q33 **Charlie Maynard:** Thank you for being here. We were talking to Ray Blake at the end of the last session. His firm runs, on a private basis, 150, let's call them red flags or concerns. So much of this is just about automation, and, frankly, it does not smell that hard. Let us say that somebody puts in assets of $1 trillion—that is a red flag. This is not incredibly complicated computer science. I am trying to understand whether you are running that? Most importantly, when you run that and you see multiple red flags, what teeth are you using to take that company down? That feedback loop to action should be pretty quick.

Martin Swain: Yes, absolutely. There are two things there. I have mentioned the preventive approach. When we see flags at the incorporation stage, we now have the power to question those pieces of information, and if we believe they are false, we can reject the incorporation. Since the powers were given to us, we have rejected about 8,500 incorporations. That does not sound a lot, but this is about testing, trialling and making sure that we are doing it in the right way.

We have to adopt some kind of risk approach here as well. In the true spirit of Companies Act legislation, even though we have new powers, if somebody incorporates a company and includes all the information required for incorporation, even if we believe it to be false, technically it is compliant with the requirements of the legislation to incorporate. We are challenging that quite heavily.

Q34 **Charlie Maynard:** Who do you need to challenge back, and how quickly is that happening? We have criminal acts going on in front of our eyes. Nobody wants that to happen. So who decides?

Martin Swain: Our teams in Companies House. So we are giving our teams the ability to understand what they are looking for. Take the high share capital as an example. We can now train our teams to say, "We don't believe that is correct." When companies come in, you are right that it is about flags. One flag is high share capital. Another flag is a certain jurisdiction. We have to build those flags into the system at the front end. We now have a series of business rules now that fire on incorporation. For example, if somebody tries to use a company name with a sensitive word in it, our system will fire a rule. The company will not incorporate, the case will be given to an examiner and it will be rejected. So we have the ability to build in rules.

I mentioned the addresses issue that we have been tracking. We have been trialling some work there, building some up-front rules around particular location, and particular addresses, which enables the team to stop incorporation at the front end. That is the best way for us to do it. That is the best investment we can make.

Charlie Maynard: Going on with that, you have identity verification coming down in April and then autumn. Then, you have a 12-month implementation period. How much are you saying, "At the end of 12 months, if you have not done this, the following will happen?" Otherwise, it just stretches on—"Oh, well, you can't file," and then it's another year and another year. What is the toughest sanction you can have if applicants fail to put their identities down within 12 months? What would you like to see happen to stop these guys continuing as businesses?

Martin Swain: If somebody fails to IDV during the transition, they are committing an offence immediately at the end of that transition. They cannot act as a director if they fail to ID verify. Our first sanction is to say, "You cannot act as a director any more."

Q35 **Charlie Maynard:** But the company can carry on trading?

Martin Swain: This is where we need to look at what it is in the company. If it is a single director company and the director is not verified, to my mind the company is essentially becoming defunct, because there is nobody there to run the company.

Q36 **Charlie Maynard:** Let's run with that. So they can say that there is nobody officially there, but they are still making the decisions and running that company just fine. What happens then?

Martin Swain: I would move to strike the company off the register.

Q37 **Charlie Maynard:** Okay. If you see that, what would be the timeline between actions? If by the end of that period, these people do not have their IDs, what kind of strike-off period would there be?

Martin Swain: It will not be at the end, because we are phasing this in over 12 months. As confirmation statements become due, people will need to verify their identities to be able to file their confirmation statements. The minute we start the transition in autumn this year, as soon as companies' confirmation statements become due, they will have to go through ID verification and provide us with their unique identifier to be able to file their confirmation statement. Our system will trigger the minute their confirmation statement is not filed; literally at one minute to midnight on that date, our system will fire and say that they are in default.

At the moment, if that happens to you, you get a letter from us saying that if you do not comply within a period of time, we will move to strike your company off. So you immediately have two offences: the failure to verify, because you are acting as a director without being verified; and the offence of not filing a confirmation statement. To my mind, that is part of the deal of having limited liability and the protection of limited liability. There are legal requirements to be met.

My stance on enforcement, which Louise supports me on, is that we have to be tough. If you do not comply with the legal requirements, we will not let you carry on having a company. The ultimate sanction is that we strike the company from the register. It currently takes about 70 to 90 days to go through the Gazette process to strike a company off. We will have new powers shortly to expedite strike-off, and we will be able to do it within 28 days.

Another point I want to make is that we are dealing with a massive population of companies. One of the things that we have brought in during the last 12 months is a much more targeted approach to compliance. We want to get first to the serially non-compliant companies. If you have never filed your accounts on time, if you have repeatedly failed to file your confirmation statement, if you do not file change of director forms when they need to be changed and if you do not verify, I am probably going to come down far tougher on you than on somebody who normally files everything and has just managed not to verify because their document did not quite meet the standard, for example. We have to take that segmented approach.

Chair: I am going to speed us up a bit.

Q38 **Sonia Kumar:** If you have a high level of suspicion that a company is committing some crime, when do you start getting collateral information from other agencies? What is the process from there?

Martin Swain: We get lots of information and intelligence. That is one of the things that has changed over the last 12 months: we have become far more part of the economic crime ecosystem. We get lots of information from other agencies.

I just mentioned the expedited strike-off power. That is one of the things that is linked specifically to Louise's fourth objective in the legislation, which is not to allow companies to be formed or used for criminal purposes. If we have intelligence or information that a company was engaged in criminal activity, we could decide to use that power immediately and look to strike that company off.

Q39 **Chair:** We just want to double-check some money. There was a £30 million loss in 2023-24.

Louise Smyth: Yes. The Act had received Royal Assent; that was in the autumn. We were in the middle of recruiting and CS 25, around reducing the size of the civil service, came along at the same time that our business case to increase the fees was in with Treasury for approval. It got held up for a considerable amount of time, because our business case was obviously predicated on increasing our staff. Eventually, we did increase the fees in May.

Q40 **Chair:** It was just a lag on the fees?

Louise Smyth: It was the lag. We had to carry on to prepare for the Act.

Q41 **Chair:** In the autumn Budget, the Treasury announced £400 million shared between Companies House and others. Do you know how much of that £400 million came to Companies House?

Louise Smyth: In 2024-25 we were delegated £29.6 million. The 2025-26 budgets are not set yet.

Chair: It is a pretty small fraction.

Q42 **John Cooper:** In February 2024, Companies House told this Committee's predecessor that you had recruited 216 out of 241 new staff as a result of reforms to enforcement. Earlier you touched on the resources and capacity you have. At that time, the target figure was to recruit 320 people. Where are you now? How many have you brought in to date as a result of the reforms?

Louise Smyth: In 2024 we were at 1,310. Now, we are at 1,748, and we are forecasting to be at 2,377 in March 2026.

Q43 **John Cooper:** Looking at that capacity resource, do you feel that you have enough staff to materially reduce fraud and false filing? Are you comfortable with those figures?

Louise Smyth: Yes, because that is what we have estimated and put in. I think those figures will be enough to get us through the IDV period. Martin's area has increased; he had about three or four people at the beginning of that, but he is at 60 now and he will go up to 100 by the end of the year.

We are resourcing up, but we need to do it in a manageable way. Recruiting that number of people puts a strain on the organisation in terms of job adverts, interviews and inducting that many people. In our operational areas now, we have large numbers of new people, and we need to be careful that we do not tip over to a point where we do not have enough experience or enough organisational knowledge to be actually running the system as well. I know that this Committee's focus is on economic crime, but we are a large service organisation, meeting the needs of the 5 million companies out there, so we need to make sure we keep the show on the road in terms of business as usual.

But we are recruiting up, and we are bringing in significant numbers of people—469 FTE are included in that figure—to support companies through the IDV journey. We have based that on a 10% increase in "noise" in the system as we are going through it. We also have contingency, with the HMRC surge capacity, for an extra 201 roles if we need them and that noise turns out to be more than we anticipated.

Q44 **John Cooper:** That leads me to the mix of people that you have. Can you break down by proportion the numbers of professionally qualified accountants, lawyers and financial crime practitioners?

Martin Swain: The latter two sit in my area. We have increased our legal team from three people to 12 already, and we are looking to bring in one or two more. They are a mix of company law experts who work on the advisory side, but we have also brought in some prosecutors. We have some ex-CPS people, and they will be picking up more of the enforcement work that we want to take forward. We are looking at bringing in a litigation lawyer as well, because the challenge when we are issuing lots of penalties and taking lots of prosecutions is that we get lots of appeals. We saw that when we started to do it—

Q45 **Chair:** How many people do you think will be living in the enforcement group in Companies House this year?

Martin Swain: If you take, for example, intelligence and enforcement, it will be around 300 to 350, but that will probably grow. We will have resources that will pick up as we implement IDV. There will be specific enforcement resources that will work on enforcing non-verification, so that will continue to grow. I cannot see that reducing in the short to medium term.

Louise Smyth: Also, I do not think that all of them need to be law enforcement professionals. In a lot of our enforcement activity, we develop a process and then people can follow it. We need the specialists in there, but we also need the generalists to enforce and deal with things.

Q46 **John Glen:** You have explained, quite reasonably, that when you increase the number of staff, you have to think about business as usual versus what the changed organisation looks like. Through the Chair's questions, we also discussed the gaps you have—15% to 20% of posts unfilled. Do you think you have the right freedom to designate roles for tasks, to create incentives for performance and to create the right culture for productivity? It is one thing to fill the roles and go through the process, but Mr Swain talked about the challenge with other entities in the area often being a different option for employment. One of the big challenges we face across the public sector is productivity. Do you have enough flexibility when you get your money from the Treasury to spend it in a way that optimises the productivity of the staff that you have?

Louise Smyth: That is a good question. To the first point you asked, I think I have the freedom to construct my workforce in the way I think is right. I do not think we have the freedom in relation to pay to be able to flex to meet what the market demands. We have particular issues with Government Departments typically either paying more for the same roles as in agencies or grading roles higher, which makes it very difficult for us in some cases. We have people who leave us to go to a job at the same grade in another Department that is £15,000 more, and we can't even compete with that.

Q47 **John Glen:** What I am getting at is that you have a tough job to catch up with people who are doing dodgy things in more sophisticated ways. You need cutting-edge staff, not people who are looking over their shoulders to find a better job back in their home Department or sponsoring Department. It seems to me you can have the resources, but if you cannot spend them in the right way, it is questionable whether the resource level is relevant. You get into that sort of conversation. I remember being asked to sign off things as a Minister, where there was a special request for a derogation from a pay scale. The default was we would be very reluctant to do that, because the implications and precedents set would be difficult. Do you ever have that opportunity? Do you recognise that tension, and what can be done about it?

Louise Smyth: I recognise the tension. We have some very good people, so I don't want to—

John Glen: I am not casting aspersions. None the less, you recognise the challenge you face.

Louise Smyth: Yes. I think there is difficulty sometimes. We bring in contractors with specialist experience, for example, but again there are restrictions around that, and we have to be careful that we do not go over various—spend controls are a nightmare.

Q48 **Chair:** Let's ask the question like this. You have a 20% vacancy rate on digital skills, and you are about to embark on one of the most important identity verification projects in His Majesty's Government. Do you need more flexibility on what you can pay to whom to get the right skills on deck to get that job done?

Louise Smyth: Yes, that would be nice. You didn't expect me to say no to that.

Q49 **Charlie Maynard:** Talking about fines, in 2019-20 Companies House collected 57%. In 2023-24, the collection rate dropped to 46%. Between 2018-19 and 2023-24, you failed to collect £386 million of issued fines. What is going on with the collection rate? I am interested to understand what that was in absolute terms, say last year, but also, fundamentally, why are these not being collected? I can guess, but you go for it.

Louise Smyth: During the pandemic, we saw a change in behaviour. We saw more late filings, which is understandable because people had other things on their minds. We also saw fewer people paying, and that behaviour did not revert post pandemic. The level of fines has increased and the level of people not paying has increased, and that has continued over time. Also during the pandemic, we had covid easements, which gave people extensions and messed up the system. There has been an increase in bad debt provision.

Q50 **Charlie Maynard:** What about consequences? If you do not pay your fine, what happens, and is that actually happening?

Chair: If you take, for example, after the economic crime Act came into force, how many prosecutions followed from fine non-payments?

Louise Smyth: I don't have that figure. Do you have a figure for that?

Martin Swain: No, we would have to do the figures.

Louise Smyth: Yes, we would have to do the figures. People get CCJs as a result of not paying their late filing penalties and we are looking at whether that is sufficient.

Charlie Maynard: CCJs are?

Louise Smyth: County court judgments. We are looking at whether that is a sufficient deterrent. We are also looking at whether we can we use some of the legislative tools that the Act has given us, such as annotation of the register, which would be a good signal for people that this company has not paid what they should do.

We are also having a look at the appeal window, because at the moment it is quite open-ended. People get quite a long way through the process of not paying before they suddenly think, "We will make an appeal". Then, it goes into a four-stage process, which I think is too many, and that takes quite a long time. All that time, the bad debt is ageing.

Q51 **Chair:** Are you the author of that process? Are you able to change that process as Companies House, or do you need—

Louise Smyth: I think we can change it ourselves.

Charlie Maynard: Would you be up for, let's say in a month's time, making up a set of recommendations saying, "If we are going to address our fines backlog, we would like to change our processes this way, that way and the other way," listing those out and sticking them in the public domain somewhere, just to say, "This is what we would like to do"?

Chair: If it helps, I can write to you with the question and you can answer it.

Q52 **Sarah Edwards:** Ms Smyth, you said in your strategic intelligence assessment that the £50 fee to incorporate a company is "highly unlikely" to deter fraudulent mass incorporations. Is there a level of fee that would stop that? Is that the way that it could be worked?

Louise Smyth: I think an increase from £12 to £50 would stop the frivolous. As Martin said, we segment the market. There is lower-level criminal activity, where you might be prepared to lose £12 to do something minor, but £50 is a bit more. I do not know that there is a figure that would stop the serious criminals; I do not know the amount of fraud they can commit on the back of an incorporation, but I could imagine that it is pretty high in some cases, and it would be worth it to them. You could say that we will put it up £100, but I do not think that that would be enough either.

Q53 **Sarah Edwards:** In terms of your new powers and responsibilities, what Mr Swain has to look after, and making sure that there is compliance and that the ID checks being done, that surely incurs a cost to you as an organisation. Have you looked at what that cost actually is going forward, when you are introducing all these new elements to the checks? Is £50 going to cover all the work involved in the new parts of the process when somebody says, "I am going to incorporate a company," whether they go through or whether they flag or not?

Louise Smyth: No, it will not, going forward. We are looking at fees again now, and we will be coming back with—

Q54 **Chair:** You will remember that Baroness Hodge and I moved amendments to the Bill suggesting a much higher registration fee. What is your sense of where it needs to be? Does it need to be more like £400?

Louise Smyth: The issue for us is that the fee is set to recover our costs, so it cannot necessarily be a figure that we pluck out of the air that we say would deter criminal activity.

Q55 **Chair:** Let us say that this Committee recommended that you triple the number of enforcement staff from 350 to something closer to 1,000, which many people would argue is the minimum level to deal with the threat, we could then tease that through into what the fee needed to be.

Louise Smyth: Yes, but we would have to do that over time to continue to be a viable organisation. We couldn't just go out tomorrow with a load of job adverts.

Chair: I understand the point you are making.

Q56 **John Glen:** I am interested in the dynamic of the fees, the recovery and the costs. If you increase the fees to the levels suggested, what are the implications for the behaviours of potential registrants? Is it possible that people will not engage? Are there any risks?

Louise Smyth: I think we would have to do some analysis on what impact that would have. It is very easy to get caught up in thinking that everyone on the register is trying to commit a crime. The vast majority of people are not, so I think you would need to do some analysis to judge whether £400 would be too much for the small businessman who is trying to set up a company. You could argue that if you do not have £400, it is—

Q57 **John Glen:** All I am trying to ask is, do you not think it would be necessary to assess the behavioural effect of increasing the fees to a significant level?

Louise Smyth: Yes.

Q58 **Chair:** Can I just check something? You have new powers to criminally prosecute directors over and above the CCJ proceedings. Have those powers been used in anger yet to criminally prosecute?

Louise Smyth: No, we have not done that. The next thing that we need to get on to is prosecutions. When we had the headcount restrictions as a result of CS 25, we carried on recruiting to deliver the powers because that was coming first for us and the sanctions would come later. We did not actually develop our thinking on the sanctions side of it until the autumn. The Act gave us a number of different things that we could use in terms of our enforcement strategy on companies, and in some ways penalties are as effective for us.

Q59 **Chair:** Don't you think that, as Mr Neidle said this afternoon, that we need a clear signal that there are consequences for misbehaviour? Don't you think that criminally prosecuting people would have sent a very clear signal that you meant business?

Louise Smyth: Yes, I agree. I do not think we have done enough in this space, and that is the next priority on our agenda.

Q60 **Sonia Kumar:** Have you looked at modelling in other countries that may be doing a better job when it comes to fees and prosecutions? We could learn from some of their best practice, which could be implemented in the UK.

Louise Smyth: I have the figures: we are about in the middle in terms of fees, compared with the countries we benchmark against. They are very different; the way company registers operate is very different. For example, in Germany, they have to go to a judge, and there is a lot more involved in setting up a company. For me, it is all about balance and finding the right level of intervention and of requirements on companies, so that you are encouraging economic growth, as well as having enough in place to deter economic crime. Where that lands is different.

Q61 **Sonia Kumar:** Do you think that we could be learning, or taking segments of learning, from other countries and maybe implementing those here?

Martin Swain: Yes, we absolutely will look at countries around the world that are trying to do similar things or have done similar things. We are part of international networks where we are frequently talking to other registers about how they approach compliance and enforcement. The fee argument is interesting, because some of the jurisdictions I talk to, where they have really high fees—in excess of £400, at €1,000 or €2,000—to register a company, still have the same problems of significant money laundering through their corporate structures, fraud and so on. Even where the fee is high, it does not disincentivise.

Q62 **Chair:** A high fee may not be a deterrent, but it may give you the resources to strengthen enforcement.

Martin Swain: Yes.

Chair: The clock is against us, but let me hand the floor to you, Mr Brickell. It would be helpful to pick up some of the points about overseas territories as well in your line of questioning.

Q63 **Phil Brickell:** Yes, I will come to those in a second, if I may. I want to ask about authorised corporate service providers, ACSPs. The legislation allows for those to be used for identification and verification. How many of those are there, and what are the circumstances in which a company can use an ACSP, as opposed to doing verification directly with Companies House?

Louise Smyth: ACSPs are a new thing under the Act, and we went live yesterday with registration for people to be ACSPs. We are expecting to have 50,000 businesses register for that. ACSPs will need to be regulated by a supervisory body. HMRC is one of them, and there are others. Sorry, I am answering questions you have not asked.

Q64 **Phil Brickell:** In what circumstances would a company be able to go through identity verification through an ACSP, as opposed to directly through yourselves?

Louise Smyth: It is a choice.

Q65 **Phil Brickell:** What oversight will Companies House or HMRC be exercising over the operation of that choice? What assurance will be able to be provided around the quality of the checks that the ACSPs run?

Louise Smyth: Although ACSPs will be supervised by other bodies, we will be able to ask or do spot checks on anybody we want to. We will take a risk-based approach to it. If we think, from our analysis, that ACSPs are allowing people to go through identity verification and say that they have done it, and we think that they are not legitimate, we will segment it to try to identify the high-risk ones, and we will then ask them to—

Q66 **Phil Brickell:** Do you accept that there is a risk, potentially, that some ACSPs could be rogue operators, for instance, that allow verification to take place.

Louise Smyth: Yes, there is a risk.

Q67 **Phil Brickell:** On overseas territories and Crown dependencies, could you talk a little about some of the complexities that arise from company registration that is tied to beneficial owners or other corporate structures that are incorporated in those jurisdictions? Does that play out in some of the intelligence work that you do and, if so, how does it present itself?

Martin Swain: This is the register of overseas entities that you are referring to. We are at a phase now with that register where we have about 32,000 entities registered, and we think that about 4,000 more are in scope. These are entities that still have titles against their names at the Land Registry. We are completing a big data exercise to establish whether those entities still exist, because it is highly likely that some of them have dissolved or been struck off in their jurisdiction.

If I am honest, it is a challenge because ever since the European Court of Justice ruling on beneficial ownership registers, there has been a move back towards keeping beneficial ownership registers private, which does not really help us to establish whether those entities exist and there are people on their register. But we have just completed a big exercise to understand the 4,000 who are still there.

I mentioned our collaboration internationally. That is starting to be beneficial to us in terms of a register-to-register relationship. I cannot say that it is as positive with all of them, but some jurisdictions are certainly starting to say, "On an intelligence-to-intelligence basis, we are willing to have conversations with you." It is a developing area for us, but it is a challenge as well because we are dealing with some very secretive jurisdictions.

Q68 **Phil Brickell:** Is that intelligence shared directly to yourselves, or does that come through law enforcement agencies or regulators?

Martin Swain: Both. We sometimes have intelligence shared directly with us, but we work closely with the National Crime Agency and the National Economic Crime Centre, where various international cells operate, and we are now part of those operational cells. If we need to, we can always go via the NCA and through their gateways to share information with other countries and their agencies.

Q69 **Chair:** On British overseas territories, we have some that seem to us like they are playing ball, and others that are not. Which of the British overseas territories need to make faster progress in getting their registers of beneficial ownership sorted out and open for scrutiny?

Martin Swain: That is probably more a question for the Department. I know that the Department has a stream of work that is being funded through the crime levy funding to work with overseas territories and Crown dependencies to push that forward.

Q70 **Chair:** We can definitely ask the Department, but I just wondered where you, as a frontline professional trying to keep the country safe, thought the places are that—

Martin Swain: I probably would not want to jeopardise my conversations with them by saying who is being more positive and who is not, to be honest.

Chair: Okay, but there are some that are problematic.

Martin Swain: I think there are countries around the world that are problematic in terms of being able to share information with us.

Chair: And some of those are British overseas territories

Q71 **Charlie Maynard:** As per our notes, the Cayman Islands and the British Virgin Islands are two that were flagged. I was reading the November 2024 communiqué, which I remember hearing about, and it is really disappointing. It says, "We note the UK Government's ambition that Publicly Accessible Registers of Beneficial Ownerships (PARBOs) become a global norm and its expectation that Overseas Territories and Crown Dependencies implement full PARBOs." "We note" is basically saying, "We are not going to do anything." If our Government was going to act on this, what steps would be required to make a difference here?

Martin Swain: Again, I am not dodging the question, but I think it is something more for the Department. My position would be that economic crime is a global issue, and when you are trying to tackle economic crime, if territories' or countries' registers were as open as ours, that would make the job far easier.

Q72 **Charlie Maynard:** Martin, I am sorry to interrupt, but I am not actually asking you to advocate these things. I am just asking, if the Government were to act, what the key steps would be that would make a difference. I am not saying that you support those steps or not, but what are they?

Martin Swain: Developing an open register in that territory.

Q73 **Charlie Maynard:** Yes, and how do we make that happen?

Martin Swain: I suppose by learning the lessons from our own experience in the UK and from how we implemented our PSC register. There are certain benefits in the way we did that and some real positives. Looking back, I think we also took some learnings from that, which I guess is why the Department is in the space of trying to help these territories to do this.

Q74 **Charlie Maynard:** Such as? What were those key learnings or key steps that made a difference?

Martin Swain: I suppose understanding the scale of it. There are some of the issues that Dan Neidle raised this morning about being tight on the requirements about who can register and who can't. We absolutely take on board what he has published today about the overseas companies that have found their way on to our register because the registration process has not stopped it. There are lots of learnings, but one key learning for me is that if you put in place a legal requirement, make sure it is followed through and do not implement systems of registration that enable it to be bypassed.

Chair: I am afraid that the clock has defeated us. Thank you very much indeed, Louise and Martin, for your evidence, and indeed for your work. This has been extremely helpful. We hope to be able to see Companies House every six months over the course of this Parliament, because this is such an important part of our defences against economic crime. That concludes this panel and this session.