

Darren Jones MP
Chair of the Business, Energy and Industrial Strategy Committee
c/o Kenneth Fox
FOXK@parliament.uk

Your Ref:
Our Ref: CE106/22, NUM2665589X

18 August 2022

Dear Darren Jones MP

Thank you for your email dated 12 August to Louise Smyth, Registrar of Companies, concerning fraudulent company registrations. I have been asked to reply on her behalf in my capacity as Director of Strategy, Policy, Communications and Legal.

You have asked questions concerning the powers and responsibilities of Companies House to verify information; the measures in place to prevent fraudulent registrations; the provisions of the forthcoming Economic Crime Bill and the support Companies House is currently able to provide the victims of fraudulent registrations. We are aware of the misuse of the company register to support illicit activity and recognise and are sympathetic to the difficulties faced by those affected by this. Where illegal activity is highlighted to us, we will support law enforcement action and investigations. To help tackle this type of abuse the Government has recently published a White Paper on significantly enhancing the role and powers of the Registrar.

What powers and responsibilities does Companies House have to verify the identity and addresses of directors, shareholders and companies?

Companies House carries out checks to ensure filings are complete but, at present, does not have the legal power to verify or validate information filed with it. Provided a document delivered is properly delivered, it must be registered. A document is properly delivered when it contains the information required in law, is completed in the proper form, has the correct fee attached (where appropriate), and is authenticated.

What measures are in place to identify and prevent fraudulent registrations?

The current role of Companies House is to incorporate new companies, to register company information, to remove companies from the register and to make information on companies available to the public. We have limited investigatory powers. Where potential criminal activity is identified, we work closely with law enforcement agencies to refer matters,

including where fraud is suspected, and support investigations as they have powers to investigate and take action.

New powers, which will be provided through the Economic Crime Bill, will enable us to do much more. We are currently developing an intelligence hub within Companies House to identify strategic and tactical threats of economic crime and fraud on the register and, with the benefit of enhanced freedom to share data, enable us to provide fast and comprehensive support to law enforcement investigations throughout the UK. This will also provide a key support for future activity when our powers are broadened.

When made aware of fraud, the information is referred to our intelligence and enforcement teams and victims are referred to the statutory processes to remove fraudulent information. Victims are also encouraged to report their concerns to Action Fraud for investigation by an agency with appropriate powers.

What provisions would you like to see in an Economic Crime Bill to enable action to be taken to prevent fraudulent company and bank account registrations?

Companies House has worked closely with the Department for Business, Energy and Industrial Strategy (BEIS) on reforming its powers. We have worked alongside BEIS on the policy development including consultations on corporate transparency and register reform. We fully support the need for reform. The Government published a detailed White Paper on 28 February, setting out the measures to reform Companies House. The forthcoming Economic Crime Bill will be published soon and will contain those measures set out in the White Paper.

<https://www.gov.uk/government/publications/corporate-transparency-and-register-reform>

Under the reforms, the Economic Crime Bill will introduce compulsory identity verification for all directors (and equivalent), People with Significant Control and those filing information on behalf of a company. This will provide greater assurance regarding who is setting up, running, owning and controlling companies in the UK.

The Registrar will be given broader powers so that she can become a more active gatekeeper over company registrations and ensure that information on the register is more reliable. This will include powers to query suspected fraudulent appointments or filings, including fraudulent use of addresses, to request further evidence and, where justified, to reject registration applications. Changes will also make it easier for individuals who are victims of fraud to remove their information, without seeking recourse to the courts. Providing a power to reject and query new filings, as well as to query information already on the register, will benefit business and provide more assurance that the register is accurate, as well as improving the integrity of the companies register.

The reforms will also include:

- company agents from overseas will no longer be able to create companies in the UK on behalf of foreign criminals

- company directors will be better able to protect personal information published by Companies House which might put them at risk of fraud or other harm
- the ability for the Registrar to remove a company's address without an application where it is clear that the company is not authorised to use the address
- the ability for the Registrar to undertake such analysis as she feels appropriate of the information available to her, including information held on the register and other sources
- the power to share relevant information with other public authorities where it will assist them in carrying out their functions

The new powers will help us achieve our future aims including inspiring greater trust and confidence in the data we hold and enable us to combat economic crime through active use of analysis and intelligence.

Companies House is unable to comment on the registration of bank accounts. Banks are responsible for conducting their own due diligence and ensuring that they comply with the regulations to which they are subject. You may want to refer to HM Treasury on the customer due diligence carried out by banks.

What support are you currently able to provide to the victims of fraudulent registrations?

The Registrar does have the power to administratively remove certain information from the register, but she must follow a statutory process before doing so. In all cases however, current legislation requires the company be provided with a minimum of 28 days to respond. This allows the company the opportunity to respond as not all material is of a fraudulent nature, such as where a company is hijacked. If a company is left with no effective addresses after the statutory process has concluded, the Registrar will make a determination on whether she believes the company is still in operation. If she concludes the company is no longer in operation, steps will be taken to strike the company from the register.

Thank you for writing and I hope the above information is useful.

Yours sincerely



Martin Swain
Director of Strategy, Policy, Communications and Legal