



Department for
Business, Energy
& Industrial Strategy

Lord Callanan
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Dear Darren,

Thank you for your letter dated 12 December 2022, highlighting some issues regarding the Economic Crime and Corporate Transparency Bill ('the Bill') that were raised during the BEIS Select Committee's oral evidence session on 8 November.

Cost of Corporate Transparency and Register Reform

In your letter, you asked how much of the total cost of the Register Reform is expected to be additional spending for Companies House compared to current budgets, and what percentage will be paid by the Department compared to other sources of income.

The Impact Assessment, published at the introduction of the Bill in September 2022, estimates two types of costs:

- Firstly, costs to businesses to understand and comply with the changes in the legislation. These account for £162 million of the £289m total cost over 10 years.
- Secondly, our best estimate at the time of the costs to Companies House for implementing the reforms and to carry out its wider transformation programme. These costs, which go beyond the spending review period, could not be separated because of the interdependencies between the legislative requirements legislation and transformation. These costs amount to £127 million over 10 years.

Companies House published its transformation strategy in 2020; a 5-year programme to transform its legacy systems and apply new technologies ahead of implementing the powers being legislated for via the Bill. Funding of £8 million was provided at the 2019 Spending Review for 2020-21, with a further £63 million allocated at the 2021 Spending Review to deliver the transformation programme. The Government is reviewing funding arrangements in the context of the reforms

and is committed to ensuring that Companies House is fully resourced to perform its new role and functions.

Risk of outsourcing ID verification

You also asked about how BEIS will assist Companies House in assessing and managing the risks of outsourcing ID verification.

As part of the development of identity verification checks, Companies House is engaging with both Cabinet Office Government Digital Service (GDS) (who manage the UK Government's Verify scheme) and commercial suppliers to identify and procure the most robust, responsive, and timely solution to deliver verification checks, in line with the legislation. Any contracted supplier(s) will need to conduct checks in accordance with the Cross-Government Identity Proofing Framework (GPG45), meaning that they will be comparable to verification checks conducted elsewhere in Government. Companies House will have control over the verified status of individuals who need to verify their identity. This means that it is Companies House who will decide if an individual's verification status is valid, how long it remains valid for and in what circumstances that validity ceases and an individual needs to reverify. If an individual needs to reverify their identity, they will be directed to do so by Companies House. The outsourced identity verification provider will in turn be responsible for the mechanics of ensuring that an individual's identity is confirmed to the required identity verification standard to enable Companies House to grant the individual their verified status. The procedure for identity verification will be set out in secondary legislation, and the identity verification provider will need to follow that procedure. This procedure will meet the identity verification industry standard and will comply with the GPG45 framework. The identity provider will also need to follow standards set out by Companies House in respect of privacy and security of personal information.

BEIS and Companies House are working together closely to ensure the effective delivery of identity verification. Robust governance structures are in place to monitor implementation risks and issues including those related to outsourcing identity verification. We will continue to monitor progress and support Companies House in ensuring the most appropriate identity verification provider is selected.

Authorised corporate service providers (ACSPs) carrying out verification

Regarding your questions about ACSPs carrying out verification, ACSPs will be required to confirm they are supervised for anti-money laundering (AML) purposes (by a supervisory body that is subject to the UK's AML regime) and register with the Registrar before they can be permitted to form companies or registerable partnerships, or to file on their behalf. The reforms will also require them to declare that they have completed the identity verification checks for which they are responsible when they interact with the Registrar. Without this, there could be a loophole that could be exploited by a minority who wish to avoid scrutiny. Under AML regulations, all agents are required to retain records and the Registrar can request further information on identity verification checks if necessary. Registration will also allow third parties to conduct the identity verification checks that will allow directors,

partners of limited liability partnerships, general partners of limited partnerships and People with Significant Control to open an account with Companies House.

Supervision of ACSPs will continue to be the responsibility of the authority that is their anti-money laundering supervisor, which will itself be subject to supervision by the Office for Professional Body Anti-Money Laundering Supervision (OPBAS). The budget that they allocate to these statutory supervisory activities is for each organisation to determine. If the Registrar has any concerns about the checks that an ACSP has conducted, she can query this information and, where necessary, present her concerns to the supervisor, whose responsibility it will be to take appropriate action against the ACSP. Nevertheless, the Registrar will have the power to suspend an ACSP's registration as such if she is not satisfied that they are acting appropriately.

Thank you once again for writing. I trust this information will be helpful.

A handwritten signature in blue ink, appearing to read 'Martin Callanan', with a stylized flourish at the end.

Lord Callanan