

Rt Hon Liam Byrne MP
Chair, Business and Trade Committee
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Dear Liam,

I am writing to you in your capacity as Chair of the Business and Trade Committee to inform you that today my department has laid three instruments, two of which are under the Economic Crime and Corporate Transparency Act 2023 and one under the Economic Crime (Transparency and Enforcement) Act 2022. The first instrument is entitled “The Registrar of Companies (Fees) (Register of Overseas Entities) Regulations 2024”. This negative instrument sets out in regulations the administrative fees that Companies House will charge to cover the costs of the Register of Overseas Entities, which as you know was brought into effect via the 2022 Act.

The second negative instrument, “The Registrar of Companies (Fees) (Amendment) Regulations 2024” raises fees charged by Companies House. These fees were the subject of significant focus through the various stages of the passage of the 2023 Act, and my colleagues and I repeatedly offered reassurance that Companies House will be provided with the resources it needs to fully enact these reforms. This was something that I reiterated at my recent appearance before the Business and Trade Committee.

I propose to increase the basic incorporation fee for companies from £12 to £50, and the annual confirmation statement fee from £13 to £34. In parallel I propose to amend a range of other fees to take account of increased costs arising from inflation.

These increases in fees will fund significantly expanded capabilities across Companies House and also the Insolvency Service (which will play a key role in investigating and prosecuting more serious cases of non-compliance with the various requirements introduced by the 2023 Act). This will include bringing in people to implement entirely new functions such as the requirements for directors, beneficial owners, agents and others to have their identity verified; the powers to actively scour the register for companies that are engaged in suspicious activities, make queries and where necessary block activity; fundamental reform of the mechanisms for creating and maintaining limited partnerships. Elsewhere existing functions will be significantly scaled up, including data sharing mechanisms with law enforcement and the private sector, and a much larger enforcement function to reflect the wider range of wrongdoing the agencies can now pursue.

We expect around an additional 600 FTE across both organisations compared to where they started from.

In line with rules on Government spending, the level of these fees has been determined following extensive modelling undertaken by Companies House and the Insolvency Service to calculate the resources that will be required to implement the reforms as the various new functions and powers become available. These are significant increases in relative terms but the cost of creating and maintaining companies in the UK will remain very low by international standards. At all times we have sought to ensure a good balance between ensuring legitimate companies can be established quickly to the benefit of the whole economy, while providing Companies House and the Insolvency Service with the resources they need to be able to take action against those who seek to abuse UK corporate structures. We will continue to monitor this throughout 2024/25 and will review the requirements of both organisations again during this period to understand what levels of funding may be required in future.

Finally, the third, an affirmative instrument, enables Companies House to ensure compliance with the new and existing requirements by imposing financial penalties on a person if satisfied beyond reasonable doubt that they have committed misconduct amounting to a relevant offence under the Companies Act 2006. The Economic Crime and Corporate Transparency Act 2023 (Financial Penalty) Regulations 2024 will allow the Registrar to do so, adding a further tool to the Registrar's arsenal. Civil financial penalties are a quicker and cheaper alternative to criminal prosecution to deter and punish misconduct.

This instrument also makes minor amendments to the Register of Overseas Entities (Penalties and Northern Ireland Dispositions) Regulations 2023, including to ensure the Registrar cannot impose a financial penalty: (i) where the person has been convicted of an offence (as at present), but also (ii) where criminal proceedings have already been brought against the person and are ongoing. Currently, the Registrar can impose a financial penalty notwithstanding (ii), which is unhelpful, as this can impinge on prosecutors' discretion to prosecute.

Subject to Parliamentary timetabling, from 4 March Companies House will begin making use of their new powers, including to clean up the register. Since the 2023 Act received Royal Assent, Companies House have been preparing to operationalise these regulations which they will use alongside the other powers to deliver proportionate and effective enforcement action.

If you have any comments or questions about these instruments, please do get in touch.

Yours ever,

A handwritten signature in black ink, appearing to read 'Kevin', with a stylized flourish at the end.

Kevin Hollinrake MP
Minister for Enterprise, Markets, and Small Business
Department for Business and Trade