

Rt Hon Liam Byrne MP  
Chair, Business and Trade Committee  
House of Commons  
London  
SW1A 0AA

T +44 (0) 20 4551 0011  
E [Hollinrake.correspondence@businessandtrade.gov.uk](mailto:Hollinrake.correspondence@businessandtrade.gov.uk)  
W [www.gov.uk/dbt](http://www.gov.uk/dbt)

6 March 2024

Dear Liam,

I refer to your letter of 7 February in follow-up to your Committee's evidence session on 6 February. Thank you once again for giving myself and colleagues the opportunity to update the Committee on the progress we are making in delivering the important reforms we are committed to introducing following enactment of the Economic Crime and Corporate Transparency Act 2023 ("ECCTA 2023").

You will appreciate that my Department and its partner organisations sit within a broad sweep of Government departments and agencies actively engaged in the effort to combat fraud and other economic crimes. Some of the questions your letter raises stray beyond my remit - I will address those to the best of my ability but you might find that in doing so, I prompt further questions which are better targeted to the relevant department or agency with lead responsibility.

## Fraud

Your first question related to the Annual Fraud Indicator for 2023, which estimated the annual cost of fraud to UK businesses at up to £157.8 billion. I would observe that the Report's confidence levels around that figure are, by its own admission not high, so this may well overstate the scale of the problem. Notwithstanding, I am pleased to confirm that, on 8 February, the Home Office commissioned the 2024 Economic Crime Survey. That is expected to report in October 2024 and which will provide a clearer estimate of the impact of fraud against UK businesses.

There is no doubt that fraud is a scourge not only on business, but also on the public. As part of the Government's Fraud Strategy, the Home Office has, I am sure you will have noted, just launched the *Stop! Think Fraud* initiative to provide consistent, clear and robust anti-fraud advice to the public.

You ask whether we will publish an estimate of the scale of identity fraud on the register of companies and our plan to tackle that abuse. I acknowledge evidence which suggests that there is an accumulated legacy of fraudulent identity information on the register.

Up to now, Companies House has largely relied upon third party notification to identify and address these abuses. This clearly makes it difficult to estimate the scale of the problem with any degree of certainty. I believe the important fact to focus upon is that the combination of new powers ECCTA 2023 will deliver e.g. registrar querying and rectification powers, more stringent address requirements and identity verification, will all work to combat further identity fraud going forward. At the same time, an expanded investigation and analysis capacity will enable Companies House better to identify and address legacy information.

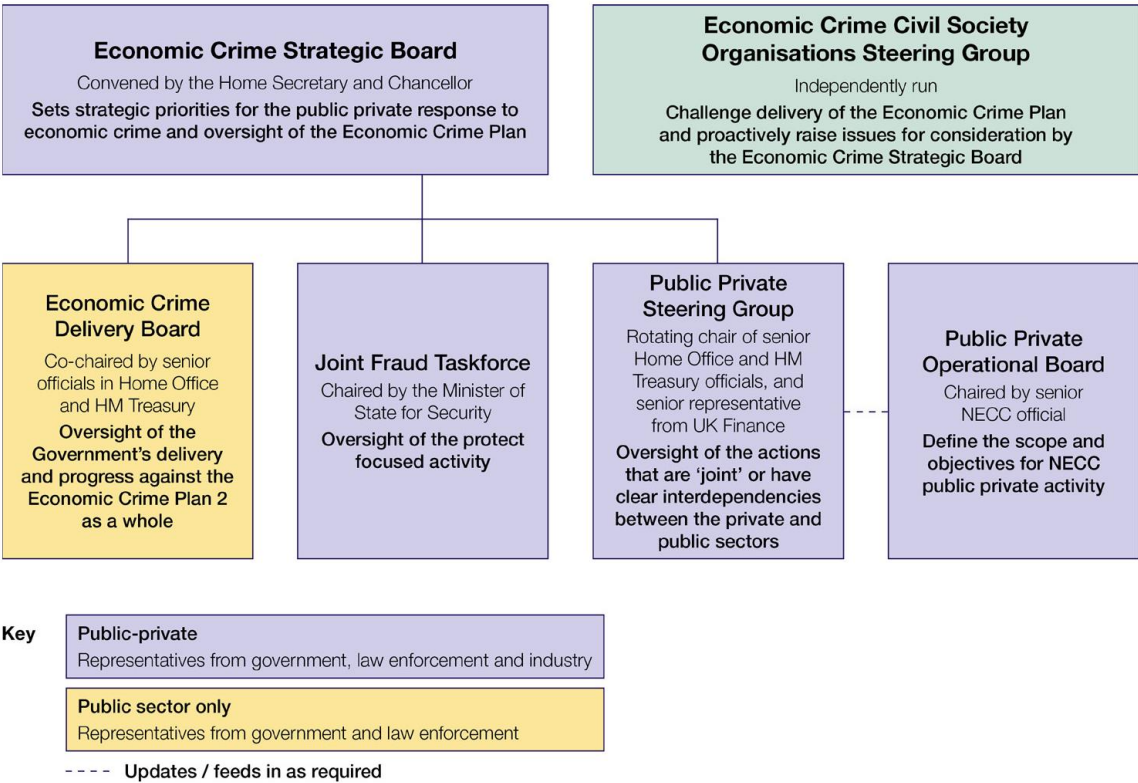
We will, of course, be reporting annually to Parliament on progress in this regard.

**Economic Crime Governance**

We discussed at the oral session the Government’s overall governance structure for combatting economic crime. You portrayed this as confusing and disjointed - I respectfully disagree.

Fraud and economic crime are complex and multifaceted issues that touch upon much of the economy and manifest in many different ways. A single departmental approach would, in the Government’s view, undermine our efforts to tackle holistically the challenge that economic crime presents. That is why the Government established the National Economic Crime Centre (NECC) to coordinate and task the UK’s response to economic crime, harnessing intelligence and capabilities from across the public and private sectors to tackle economic crime in the most effective way. The NECC facilitates the well-established Joint Money Laundering Intelligence Taskforce (JMLIT), which brings together five law enforcement agencies and over 40 financial institutions. The Government has also published the second public-private Economic Crime Plan (2023-26) (ECP2), intended to facilitate progress through coordinated partnership-working between the public and private sectors.

I hope the schematic below helps illuminate the governance structure for ECP2.



Every Department and public sector agency involved in the delivery of the ECP2 attends and feeds into the Economic Crime Strategic Board. While the Home Office and HM Treasury lead the policy response to economic crime across Government, a wide range of departments and agencies play a role. Other than the Department for Business and Trade, a non-exhaustive list includes: in relation to sanctions, the Foreign, Commonwealth and Development Office and the Office for Financial Sanctions Implementation; in relation to anti-money laundering regulation, the Financial Conduct Authority, HMRC, and the Office for Professional Body Anti-Money Laundering Supervision; and in relation to the investigation and prosecution of economic crime, the police, the National Crime Agency, the Serious Fraud Office, the Crown Prosecution Service, and HM Courts and Tribunals Service. These organisations bring specialist expertise to jointly deliver commitments made in the ECP2, working closely with the private sector and representative industry bodies. This approach supports a cross-system response that takes account of the impacts on both the UK's prosperity and security.

## **Companies House**

I know the Registrar of Companies wrote to you last December outlining the increasingly active role Companies House is playing within the cross-Government response to economic crime. Given my direct interest in, and responsibilities for, Companies House, I hope you will indulge me in reiterating some of that here.

Companies House already works closely with law enforcement agencies, analysing data and patterns to identify suspicious behaviour, and is working with partners looking at ways of improving intelligence sharing. The new powers, provided through ECCTA 2023, will enable Companies House to do much more. They have developed an internal Intelligence Hub to identify strategic and tactical threats of economic crime on the register. With the benefit of measures ECCTA 2023, which provides enhanced freedom to share data, the Hub will help Companies House provide faster and comprehensive support to law enforcement investigations throughout the UK and increase the impact they can have on tackling economic crime.

Companies House is also a member of the Joint Money Laundering Intelligence Taskforce (JMLIT), a NECC-led partnership between law enforcement and the financial sector to exchange and analyse information relating to money laundering and wider economic threats. Additionally, they play an active role in several Public-Private Threat Groups and time-limited cells. Companies House also works closely with those in the AML regulated sectors, playing an active role in the Anti Money Laundering Supervisory Forum as well as engaging with the legal and accountancy Intelligence Sharing Expert Working Group. In advance of the commencement of new and tailored new powers, they have begun sharing information using Regulation 52 of The Money Laundering Regulations. This sharing is already supporting work to improve the integrity of the Register of Overseas Entities, which was introduced as part of the Economic Crime (Transparency & Enforcement) Act 2022.

Companies House is in the process of placing staff into partner agencies. This should be in place early in the next financial year. They have held initial discussions with other partners about further enhancing this capability. The effectiveness of these initial secondments will be reviewed before expanding this network.

## **Limited Partnerships**

You asked what the Department is doing to tackle the abuse of limited partnerships (LPs).

Through ECCTA 2023 Act, the Government is introducing reforms that will tackle the abuse of LPs and bring LP legislation up to date, while ensuring that LPs remain attractive to legitimate investors.

Amongst other measures we will:

- tightening registration requirements for LPs;
- requiring LPs to maintain a connection to the UK;
- increasing transparency requirements, for example requiring fuller information about partners; and
- enabling the Registrar of Companies to deregister LPs which are dissolved, which are no longer carrying on business or where a court determines that it is in the public interest to do so.

These reforms will apply to all LPs, both new and existing. They require consequential changes and secondary legislation and guidance, as well as system development. The Government is working to implement the reforms as soon as possible.

## **Sanctions**

You sought further information on sanctions.

The UK is committed to ensuring that our sanctions are robustly enforced, and potential breaches are investigated, and appropriate action taken. Non-compliance with UK sanctions is a serious offence and punishable through large financial penalties or criminal prosecution. Departments from across Government are collaborating together, and with UK companies, to ensure that sanctions are enforced.

Every instance of non-compliance with financial sanctions is taken very seriously and OFSI will take appropriate action in all cases where a breach has occurred.

The Government has committed £50 million to support a new Economic Deterrence Initiative to further boost our diplomatic and economic tools and improve sanctions implementation and enforcement and to tackle sanctions evasion across the UK's trade, transport and financial sectors. Additionally, in relation to financial sanctions specifically, OFSI will harness new powers provided by the Economic Crime and Corporate Transparency Act to enforce UK sanctions.

While Companies House has not hitherto assessed the potential scale of abuse of UK corporate vehicles to evade it will, as was confirmed in the evidence session, assist in the investigation of any instances where such abuse might arise. The Intelligence Hub I referred to earlier will be key innovation in this respect.

## **Office of Trade Sanctions Implementation (OTSI)**

OTSI is being established in my Department as one of a number of initiatives to strengthen sanctions implementation and enforcement being funded through the £50m Economic Deterrence Initiative, announced by the Prime Minister as part of the refresh of the Integrated Review last year.

We are in the process of setting up OTSI with recruitment for the new team ongoing, and we will introduce secondary legislation later this year to equip it with the necessary enforcement powers, including the ability to issue civil monetary penalties where it has found breaches of the UK sanctions regimes.

OTSI will be responsible for the implementation and enforcement of trade sanctions, aside from those that fall under HMRC's role as the UK's customs authority, and the oil price cap and internet services measures which are already the responsibility of the Treasury and Ofcom respectively. OTSI will not just enforce sanctions relating to Russia, but all trade sanctions regimes. It will work in conjunction with existing sanctions enforcement bodies to ensure that UK sanctions are robust and effective.

We are considering the most appropriate way to meet public transparency reporting expectations for OTSI once it is established, along the lines of the annual reports published by the Office of Financial Sanctions Implementation or the Export Control Joint Unit.

Finally, let me take the opportunity to provide responses to a number of questions Companies House colleagues committed to following up on during the Committee session.

## **Costs of implementing the in house IDV service and registration service for Authorised Corporate Service Providers (ACSPs)**

Implementing identity verification requires significant development of Companies House (CH) systems and processes. The aim is to do that in a way that ensures people meet the right level of checks to prove they are who they say they are but do not unnecessarily delay legitimate businesses. CH is working closely with the Government Digital Service (GDS) One Login Service. This will be the main route used for people to verify their identity with CH. This approach will have wider benefits when HMRC and DWP also implement OneLogin and integrate it into their services. CH currently estimate the cost to embed the identity verification service and build the registration service to become an Authorised Corporate Service Provider is circa £23m.

## **Cost of ACSP compliance and enforcement regime**

The cost of developing the compliance and enforcement process for ACSPs is just under £1.7m. This will include monitoring, querying, compliance and enforcement activities with ACSPs as well as publishing ACSP information and data sharing with supervisory bodies.

The cost of ongoing operation and maintenance of the above services and regimes will be recovered through fees. All costs are reviewed regularly to ensure the necessary funding and resources are in place for successful implementation.

## **Changes in the size of the register**

At the end of December 2023, there were 5,267,187 companies on the total register, which includes those in the course of removal and liquidation (470,846). During the period October to December 2023, the size of the total register increased by 53,771 companies (1.0%) compared with the end of September 2023. During the last four quarters, up to December 2023, 667,094 companies were dissolved.

I hope the Committee will find this additional information helpful.

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