

Department for Business, Energy
and Industrial Strategy

Via Email: transparencyandtrust@beis.gov.uk

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Response to Consultation on Corporate Transparency and Register Reform

Dear Sirs,

Here are some comments on the above Consultation and answers to the questions posed in the Report.

I write as a director of private company and a shareholder in public companies. I use the information provided by Companies House on companies very regularly and in general I support the main thrust of the proposals.

My detailed answers to the questions posed in the Consultation are given in the Appendix.

Yours sincerely

Roger W. Lawson
Managing Director

Appendix – Answers to Questions (Answers in Red)

The case for verifying identities

Q1. Do you agree with the general premise that Companies House should have the ability to check the identity of individuals on the register? Please explain your reasons.

Answer: Yes I agree that identities should be checked to prevent potential fraudulent activities. In the modern world identities can be very easily and quickly verified electronically for the vast majority of individuals so there is no good reason not to do this.

Q2. Are you aware of any other pros or cons government will need to consider in introducing identity verification?

Answer: There may be a few individuals for whom it is not immediately possible to obtain an electronic verification (e.g. those with no credit record), but some slight delay before those individuals are recorded as a director or PSC should not be a big issue. It seems highly unlikely to me that the vast majority of potential directors could not be verified easily. Alternatives can be provided for those who fail electronic verification.

Q3. Are there other options the government should consider to provide greater certainty over who is setting up, managing and controlling corporate entities?

Answer: I do not believe there are.

How identity verification might work in practice

Q4. Do you agree that the preferred option should be to verify identities digitally, using a leading technological solution? Please give reasons.

Answer: Yes. It is a low cost and simple approach.

Q5. Are there any other issues the government should take into account to ensure the verification process can be easily accessed by all potential users?

Answer: Not to my knowledge.

Q6. Do you agree that the focus should be on direct incorporations and filings if we can be confident that third party agents are undertaking customer due diligence checks? Please give reasons.

Answer: I do not agree that filings via third party agents should remove the need for individual verification. Anyone can set up as an agent to handle such filings and therefore this does not necessarily guarantee accuracy and reliability. Even if initial company formation is handled by an agent, later changes to add new directors are often simply done by a Company Secretary or any of the current directors. As direct individual verification electronically is so low cost, I can see no good reason for not having all submissions checked in this way by Companies House.

Q7. Do you agree that third party agents should provide evidence to Companies House that they have undertaken customer due diligence checks on individuals? Please give reasons.

Answer: Yes if no direct checks are done by Companies House.

Q8. Do you agree that more information on third party agents filing on behalf of companies should be collected? What should be collected?

Answer: I have no views on this matter.

Q9. What information about third party agents should be available on the register?

Answer: I have no views on this matter.

Who identity verification would apply to and when

Q10. Do you agree that government should (i) mandate ID verification for directors and (ii) require that verification takes place before a person can validly be appointed as a director? Please set out your reasons

Answer: I agree. It seems only reasonable that people claiming to be directors of companies are shown to be genuine persons. Not ensuring that directors are who they say they are creates innumerable possibilities for fraud.

Q11. How can verification of People with Significant Control be best achieved, and what would be the appropriate sanction for non-compliance?

Answer: I support the verification of identity of those reported as being persons of People with Significant Control. I can see there might be practical difficulties in obtaining the consent of such people where they are based overseas or in other circumstances and it might require very substantial effort to obtain the information. I would suggest that it be made a voluntary system with those not verified being flagged. However, Companies House should have the legal power to demand more information of such people in certain circumstances (e.g. when fraud is suspected), and the penalty would be the required removal by the company of their share ownership (i.e. removal from the share register) pending such information being provided. Companies already have the ability to remove shareholders from the register in certain circumstances.

Q12. Do you agree that government should require presenters to undergo identity verification and not accept proposed incorporations or filing updates from non-verified persons? Please explain your reasons.

Answer: This is a reasonable requirement.

Q13. Do you agree with the principle that identity checks should be extended to existing directors and People with Significant Control? Please give reasons.

Answer: Yes I agree. If this was not done it would be very many years before most directors had proven identities which would undermine the system.

Requiring better information about shareholders

Q14. Should companies be required to collect and file more detailed information about shareholders?

Answer: I do not see any reason to oppose this for unlisted companies. But the problem of shares being held via nominee accounts (i.e. the real beneficial owner or owners is not apparent) appears not to have been considered.

I also consider it unfortunate that the requirement to file a complete share register at least once per year was dropped for listed companies some years ago. This provided a valuable source of information for those wishing to communicate with the shareholders of a company. I would like to see it reinstated.

Q15. Do you agree with the proposed information requirements and what, if any, of this information should appear on the register?

Answer: The information requirement appears to omit the collection of email addresses which is an essential requirement for both communication and identity checking in the modern age. This information should be required but not be held on the public part of the register. But companies should be required to collect and maintain that information on their share registers.

Q16. Do you agree that identity checks should be optional for shareholders, but that the register makes clear whether they have or have not verified their identity? Please give reasons.

Answer: I agree that identity checks should be optional for shareholders. To verify the identity of all shareholders would be an onerous task – even some private companies have large numbers of shareholders.

However, it would be advantageous for all shareholders to have a unique identity code and a maintained record of that identity because in public companies large numbers of shareholders become untraceable and it is becoming increasingly unaffordable to communicate with shareholders via post. The whole area of company share registers and their format and use in the future needs to be reconsidered and the problem of the use of nominee accounts taken into account.

Linking identities on the register

Q17. Do you agree that verification of a person's identity is a better way to link appointments than unique identifiers?

Answer: I do not believe that a verified identity would guarantee the ability to link entries for the same people at different companies on the register. They might provide slightly different names and different addresses, but still be capable of having them verified electronically. A date of birth might assist but may not be conclusive. Only a unique identifier would really solve this problem so I would be in favour of that so long as it was not a public part of the register.

Q18. Do you agree that government should extend Companies House's ability to disclose residential address information to outside partners to support core services?

Answer: Yes when required and covered by GDPR.

Reform of the powers over information filed on the register

Q19. Do you agree that Companies House should have more discretion to query information before it is placed on the register, and to ask for evidence where appropriate?

Answer: Yes I agree.

Q20. Do you agree that companies must evidence any objection to an application from a third party to remove information from its filings?

Answer: Yes I agree.

Reform of company accounts

Q21. Do you agree that Companies House should explore the introduction of minimum tagging standards?

Answer: Yes this would be helpful, particularly for investors in public companies.

Q22. Do you agree that there should be a limit to the number of times a company can shorten its accounting reference period? If so, what should the limit be?

Answer: Yes I agree. Indeed I do not know of any good reason why companies need to shorten their accounting periods, at least as regards those filed at Companies House.

Q23. How can the financial information available on the register be improved? What would be the benefit?

Answer: This is certainly an area that requires consideration. The information now available on small private companies (effectively only very simple balance sheet information) does not provide an adequate view of the affairs of a company. I can see no reason why a full P&L, Balance Sheet and Cash Flow statement which most accountants would prepare for such companies anyway should not be filed and be publicly available.

Even in public companies there are doubts about the quality of the information filed – for example I recently heard a complaint that the information filed at Companies House on the accounts of a company often differs to that published in their Annual Report.

Clarifying People with Significant Control exemptions

Q24. Should some additional basic information be required about companies that are exempt from People with Significant Control requirements, and companies owned and controlled by a relevant legal entity that is exempt?

Answer: Yes such information should be collected.

Dissolved company records

Q25. Do you agree that company records should be kept on the register for 20 years from the company's dissolution? If not, what period would be appropriate and why?

Answer: It is important to keep company and director records on the register and available for public inspection as long as possible – 20 years seems a reasonable period to do so. The track record of directors of a company is important to investors or suppliers to a company when assessing their competence or reliability.

Public and non-public information

Q26. Are the controls on access to further information collected by Companies House under these proposals appropriate? If not, please give reasons and suggest alternative controls?

Answer: As mentioned previously I believe email addresses of directors or PSC should be collected as “non-public information” (or some other way of contacting them via digital means). Otherwise the proposed controls appear sensible.

Information on directors

Q27. Is there a value in having information on the register about a director's occupation? If so, what is this information used for?

Answer: I see no point in collecting “Business Occupation” of directors as it is not usually useful information.

Q28. Should directors be able to apply to Companies House to have the “day” element of their date of birth suppressed on the register where this information was filed before October 2015?

Answer: Yes this would be a beneficial additional security measure, but the “day” part of the information is already suppressed on the public part of the register even for older filings so I am not clear on the purpose of this question. It would seem to be essential to retain it on the private part to ensure identity verification.

Q29. Should a person who has changed their name following a change in gender be able to apply to have their previous name hidden on the public register and replaced with their new name?

Answer: I have no objection to this and presumably people could attempt to conceal their previous record by changing their name via Deed Poll in any case so it is important for the purpose of linking directors that only the latest name of a person is shown against all records current and previous of their directorships. So I would suggest that not only should such applications be permitted but that there should be an obligation on directors to notify changes of name (assuming they are still living).

Q30. Should people be able to apply to have information about a historic registered office address suppressed where this is their residential address? If not, what use is this information to third parties?

Answer: I can see circumstances where removing a residential address might avoid harassment so the proposals seem reasonable to me. The use of historic address information may be limited in any case.

Q31. Should people be able to apply to have their signatures suppressed on the register? If not, what use is this information to third parties?

Answer: I can see no great use for signature information at present and I agree that this might be a security risk so I support the ability to remove it from the register.

Compliance, intelligence and data sharing

Q32. Do you agree that there is value in Companies House comparing its data against other data sets held by public and private sector bodies? If so, which data sets are appropriate?

Answer: I agree it would be useful to compare the data held by Companies House against other data sets although I am unable to advise on which might be appropriate or useful. It would certainly be a useful capability to have.

Q33. Do you agree that AML regulated entities should be required to report anomalies to Companies House? How should this work and what information should it cover?

Answer: This might generate a considerable amount of work of AML entities, often over inaccuracies or minor discrepancies in their own records that have no practical consequence. I think this needs detailed consideration before this proposal is progressed.

Q34 Do you agree that information collected by Companies House should be proactively made available to law enforcement agencies, when certain conditions are met?

Answer: Yes I agree.

Q35. Should companies be required to file details of their bank account(s) with Companies House? If so, is there any information about the account which should be publicly available?

Answer: This would certainly be useful information to help with the prevention of fraud, although it might prove very difficult to enforce prompt filing of such information so I doubt that in practice it may be of much use. I do not think any such information should be public though as that would create a risk of fraud.

Other measures to deter abuse of corporate entities

Q36. Are there examples which may be evidence of suspicious or fraudulent activity, not set out in this consultation, and where action is warranted?

Answer: I am not aware of any.

Q37. Do you agree that the courts should be able to order a limited partnership to no longer carry on its business activities if it is in the public interest to do so?

Answer: Yes I agree.

Q38. If so, what should be the grounds for an application to the court and who should be able to apply to court?

Answer: Should be the same as for limited companies.

Q39. Do you agree that companies should provide evidence that they are entitled to use an address as their registered office?

Answer: This is definitely a loophole where directors of a company hope to conceal their identity or wish to avoid supplying an address where they can definitely be contacted – I have personal experience of such a situation. I would therefore support the proposal to require evidence of a right to use the address and I would suggest verification of such ability be performed by the sending of a letter by Companies House to the address.

Q40. Is it sufficient to identify and report the number of directorships held by an individual, or should a cap be introduced? If you support the introduction of a cap, what should the maximum be?

Answer: Although I can see that a cap might be useful to prevent fraud, there are often circumstances where directors have multiple directorships of dormant companies. For example, when a large company is taken over by another, often the former subsidiaries of the acquired company remain in existence and require nominated directors to remain in existence. Often one person is appointed as a director of all the dormant subsidiaries. If any cap was proposed it would only be sensible to exclude non-trading companies.

As an investor in public listed companies, I certainly would support a limit on the number of directorships any one person could hold in those – five would be a reasonable limit as the obligations and workload required in such companies is now quite onerous. For private companies that are trading (i.e. not dormant), a limit of 10 might be reasonable.

This is not just to avoid fraud but to ensure that directors can adequately perform their duties.

Q41. Should exemptions be available, based on company activity or other criteria?

Answer: There may be some grounds for exemptions but others will need to advise on the reasons for those. One example might be property companies where frequently individual buildings are incorporated as separate subsidiary companies with common directors. In general where there are numerous subsidiaries of a holding company, where those subsidiaries are all managed collectively a higher limit should be permitted.

Q42. Should Companies House have more discretion to query and possibly reject applications to use a company name, rather than relying on its post-registration powers?

Answer: I agree that some checking of obvious conflicting or misleading names before they are accepted for registration.

Q43. What would be the impact if Companies House changed the way it certifies information available on the register?

Answer: I am rather surprised that "Good Standing" Certificates can be obtained as I was not even aware of this facility. As all the relevant information is readily available on companies now publicly over the internet it seems odd that anyone should require such a Certificate. What exactly is being certified that is additional to what is shown on the public record? Perhaps the supply of such Certificates should be dropped? As they could easily be created fraudulently that's another reason to drop them.

Q44. Do you have any evidence of inappropriate use of Good Standing statements?

Answer: No.