



NUJ response to the Department for Business, Energy & Industrial Strategy/Companies House consultation on corporate transparency and register reform

July 2019

1. Journalists have a job of holding businesses to account. Companies House is a vital part of our democracy and plays an important role in ensuring there is corporate transparency. Nothing should be done – deliberately or inadvertently – to make it more difficult to access the information it holds, and creeping secrecy should be rolled back. The object must be maximum transparency and easy access to information presented in a meaningful way. Whether as citizens, employees or customers, we need to know that companies are not avoiding or evading tax, ripping us off, acting fraudulently, or borrowing beyond their means. Journalists make it their business to follow the fortunes of companies and root out the rogues. To do this they need accurate data. They need not only to be able to follow the money, but also to do background checks on directors in the knowledge that they cannot mask misdeeds by subterfuge or move on from one disaster to another. Verification of directors' identities is key to this task.
2. The NUJ believes that investigative journalism, which has a long record of exposing crooks and fraudsters, is under attack by changes at Companies House. The NUJ has great concerns about the way data is now being collected on company directors which could have a huge impact on the ability to track down rogue directors.
3. Kelly Tolhurst, minister for small business, consumers and corporate responsibility, in her introduction to the consultation, explained the pact that has existed between businesses and the government for 175 years by saying: "Historically the transparency we require of UK corporate bodies is a consequence of those bodies being granted limited liability. In return for agreeing that the owners of a company are only responsible for any debts that company may incur up to the limit of their investment, the state has required disclosure of details about the constitution of a company, people who own it and the people who are responsible for day to day management. Much of this information is publicly available and free to access online. The UK is recognised as a global leader on corporate transparency. This transparency is one of the cornerstones of the UK's attractiveness as a location to set up and operate a business. It builds confidence and helps create an environment for growth."
4. The NUJ agrees that corporate transparency is vital to prevent fraud, and for investors, lenders and journalists the Companies House register is a source of invaluable information. Without having access to the financial status of companies, who the directors are and their history, many more financial crimes would undoubtedly be committed and honest citizens robbed of their money.
5. The union applauds the fact that all available material is now available for download free of charge from Companies House's website. For journalists who need to be able to prove that the evidence they have gathered on a rogue director withstands scrutiny, Companies House often makes all the difference. By undertaking a search on a named director, it is possible to

inspect filed accounts of other companies they have been involved with, and to put pieces of a jigsaw together.

6. But recent rule changes make it more difficult to track individuals. There is no longer an obligation placed on company directors to have their home addresses put into the public domain on returns filed with Companies House. The full date of birth of a company director is no longer published in documents available on the Companies House website. These restrictions can seriously impede those trying to establish links between different companies which may have a common director. The reason cited for the change is the possibility of identity theft, but no evidence has been provided to show this is a problem. Not having the full information on the date of birth and address makes it more difficult for people with a legitimate interest in investigating the directors concerned to undertake the checks they wish to, and which may lead to the detection or prevention of crime.
7. Martin Shipton is the award-winning chief reporter of the Western Mail. He recently described how the changes hampered his investigations. "Several months ago, I was unable to satisfy my editor that the director of one company was the same person who was a director of another company. One firm's Companies House filings included a home address in Wales while another only showed a registered office address in London. Both directors were born in the same month of the same year, but the lack of the day of the month when he was born was considered insufficient to demonstrate that they were one and the same person. As a consequence, we did not publish a public interest story which would have been highly topical on a UK level at the time."
8. The NUJ agrees with the need for a unique verification number/code which will identify directors. In theory one can enter the name of an individual and get a list of all the companies of which he or she is a director. In practice, however, the process is rarely as straightforward. Many people enter variations of their name on different company documents – omitting or adding middle names, using diminutives like "Mike" on occasion and "Michael" elsewhere. Each director would have to have their identity verified. Those who pass the test would be given a unique identity which could be used for all companies of which the individual is a director, thus making director checks more reliable and have a valuable role in the drive to eliminate sophisticated corporate scams.
9. This verification process obviously has implications for resources. Will Companies House take on more staff to monitor the verification process? If the existing cross-checking system doesn't work satisfactorily, it's difficult to see one with more requirements working better. However, this consultation provides an opportunity for BEIS and Companies House to address this issue and make sure means of ensuring greater corporate transparency and probity is properly funded so we are all protected from unscrupulous companies and their directors.

Survey

NUJ replies in bold

Do you agree with the general premise that Companies House should check the identity of individuals on the register?

Yes. The quid pro quo for a company being granted limited liability is that it must show some accountability. Knowing who is setting up companies, who is running them, who the main shareholders are and how many other companies they are running is essential information to ensure the probity and accountability of businesses. Journalists need to be

sure the information/identity of individuals on the register is correct.

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

There may be resource implications, for example extra staff to carry out the work, at Companies House to properly police identity verification. The NUJ is unconvinced about concerns of identity theft.

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

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

Yes.

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

Access to information needs to be user-friendly. It should also be possible to ensure that a director search captures all the companies h/she is involved with.

6. 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?

Yes.

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

Yes, given that the party is reputable, accurate and follows data protection protocols.

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

Yes.

What should be collected?

The history of directors/details of loans.

9. What information about third-party agents should be available on the register? **As much as the companies they are checking.**

10. Do you agree that government should:

(i) mandate ID verification for directors?

Yes.

(ii) require that verification takes place before a person can validly be appointed as a director?

Yes.

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

Disqualification for non-compliance.

12. Do you agree that government should require those filing company information to undergo identity verification and not accept proposed incorporations or filing updates from non-verified persons?

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

Yes. The NUJ believes the aim must always be maximum transparency and maximum information.

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

The full date of birth and the address of office-holders must be provided for all companies.

16. 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?

While it will be impracticable to have identity checks for all shareholders, there may be a case for companies of a named/agreed valuation.

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

Unique identifiers are useful as long as they can be tracked with a name.

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

Yes – again maximum transparency.

19. 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?

Yes.

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

Yes.

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

Don't know.

22. Do you agree that there should be a limit to the number of times a company can shorten its accounting reference period?

Don't know.

23. How can the financial information available on the register be improved?

Again maximum transparency, for example it is often not clear when a loan is referenced whether the director is giving or taking a loan. It needs to be explicit.

What would be the benefit?

More information is always helpful to understand a company's finances.

24. 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?

Yes.

26. Are the controls on access to further information collected by Companies House under these proposals appropriate?

27. Is there a value in having information on the register about a director's occupation?

Yes. It can give a more rounded picture of the individual and may point out conflicts of interest.

28. 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?

Definitely not. See example above. The exact date is necessary for identification. This is pertinent information.

29. 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?

No, again on grounds of maximum transparency/information.

30. Should people be able to apply to have information about a historic registered office address suppressed where this is their residential address?

No.

If not, what use is this information to third parties?

Again transparency – and there may be all manner of reasons why this information is pertinent.

31. Should people be able to apply to have their signatures suppressed on the register?

No. If journalists are gathering information on a possible criminal, they will be able to cross reference with other materials to pull together a fuller picture.

32. Do you agree that there is value in Companies House comparing its data against other data sets held by public and private sector bodies?

Yes.

33. Do you agree that Anti-Money Laundering (AML) regulated entities should be required to report anomalies to Companies House?

Yes.

How should this work and what information should it cover?

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

Yes.

35. Should companies be required to file details of their bank account(s) with Companies House?

Yes.

If so, is there any information about the account which should be publicly available?

Details of overdrafts, loans.

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

Don't know.

37. Do you agree that the courts should be able to order a limited partnership to be dissolved if it is in the public interest to do so?

Yes.

38. If you answered yes to question 37, what should be the grounds for an application to the court and who should be able to apply to court?

If fraud is suspected or there is credible risk that funds could be lost.

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

Yes.

40. 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?

All directorships must be identified and reported.

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

No.

42. 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?

Not sure of Companies House's present powers.

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

Valuable if it provides greater assurance of accuracy.

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

No.