

Title: Company filing requirements for corporate entities other than companies - Red Tape Challenge Lead department or agency: Department for Business, Innovation and Skills (BIS) Other departments or agencies: N/A IA No: RPC-3050(1)-BIS	Impact Assessment
	Date: 19/08/2015
	Stage: Fast Track Validation Stage
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Rob Cottam@bis.gsi.gov.uk 02072150169
Summary: Intervention and Options	RPC Opinion: Awaiting Scrutiny

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2014 prices)	In scope of Business Impact Target?	Measure qualifies as
£0.34m	£0.34m	£ - 0.04m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

Consultation with stakeholders suggests some corporate filing requirements are unduly onerous, resulting in companies incurring costs complying with regulatory requirements without giving rise to benefits to others in the economy. Therefore the Government aims to reduce administrative burdens on UK businesses, arising from existing regulations, that increase the cost of doing business in the UK and hold back the growth of businesses and the UK economy. This will contribute to meeting the Government's Manifesto promised to 'cut a further £10 billion of red tape over the next Parliament [2015-2020]', and its ambition to make Britain 'the best place in Europe to set up...and expand a business'. There are also some unintended consequences from current processes (i.e. inaccuracy of information on the public register of companies, risk of identity theft and fraud to directors). Government intervention is required to correct these problems arising from the current regulatory framework.

What are the policy objectives and the intended effects?

The policy objectives are to ensure corporate entity filing requirements do not impose undue administrative burdens; to improve the accuracy of information about corporate entities on the public register; and to reduce the risk that directors are the victims of identity theft and fraud. Removing administrative burdens on corporate entities will help make the UK a better place to start and operate a business, and thus help promote the growth of the UK economy. An up-to-date, accurate public register will help make sure that individuals and businesses that use the register are able to access better quality information to inform their economic decision-making. No longer displaying the day element of a director's date of birth on the public register should help reduce the risk that directors are the subject of identity fraud, and thus help companies recruit and retain directors.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Respondents to the Company and Commercial Law Red Tape Challenge raised concerns about certain filing requirements and also raised wider problems associated with inaccurate information on the public register. Following a public consultation¹ the previous Government proposed a number of ways to address these concerns.² These were taken forward through the Small Business, Employment and Enterprise Act 2015, and are being applied to **companies** in a number of tranches, starting in October 2015.

The Government proposes (as its preferred option in this Impact Assessment) to also apply the October 2015 tranche of changes, to ‘**other corporate entities**’, as well as companies. Specifically the proposed filing changes, and the other corporate entities they will apply to, are as follows:

- i. Accelerated strike off from the public register. The procedure to strike off and dissolve a Limited Liability Partnership (LLP) from the public register is being amended to reduce the timescale that the process takes. This will improve the accuracy of the public register.
- i. Filing details of directors, members and secretaries. The filing requirements on LLPs, European Economic Interest Groupings (EEIGs), Societas Europaea (SE) and unregistered companies (UCs) for newly appointed directors, members and company secretaries are being simplified. We will remove the requirement for corporate entities to complete a “consent to act” within the form which notifies Companies House of the details of the director. The hard copy requires the newly appointed director to sign the form; the electronic form requires information which helps to identify the individual. The “consent to act” is sent to Companies House but is not made available on the public register. The Government is replacing the “consent to act” by a statement from the company that the person has consented to act as a director (or secretary).
- ii. Providing newly appointed directors information on their duties. Companies House will write to newly appointed directors of UCs following their appointment providing information about their duties as a director³.
- iii. Date of birth of directors. In order to provide protection against identity theft, the day element of a director’s date of birth will no longer be shown on the public register (the most common way people and organisations access filed information about companies). LLPs, EEIGs, SE and UCs will still need to provide the full date of birth to Companies House. The full date of birth will continue to be available upon request to credit reference agencies and public enforcement bodies and by visiting an entity’s registered office and inspecting their copy of the register (free for members of the entity or for a fee for non-members)..

These deregulatory set of measures require legislation to enact (which is our preferred option). Apart from the “Do nothing” option, no other options have been considered. The current regulatory framework imposes undue administrative costs on business, as well as giving rise to some other unintended consequences. We believe that it is equitable to make sure that other corporate entities can benefit from filing requirement reform in the same way as companies can.

Will the policy be reviewed? It will be reviewed. The review date will be dependent on the passage of the appropriate legislative vehicle. The intention is to review five years following the implementation of the legislation associated with these proposals.

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

¹ See <https://www.gov.uk/government/consultations/company-filing-requirements>

² See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/327259/bis-14-909-impact-assessment-company-filing-requirements.pdf

³ The Companies Act 2006 outlines the general duties of a company director, <http://www.legislation.gov.uk/ukpga/2006/46/part/10/chapter/2/crossheading/the-general-duties>

Summary: Analysis & Evidence

Policy Option 1

Description: Implement measures to simplify filing requirements for corporate entities other than companies

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0.34	High: 0.34	Best Estimate: 0.34

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.0	0.0	0.0
High	0.0	0.0	0.0
Best Estimate	0.0	0.0	0.0

Description and scale of key monetised costs by 'main affected groups'

One-off familiarisation costs of £44,500 are expected amongst the LLPs, EEIGs, SEs, and UCs who appoint a new secretary or director (estimated to be around 21,900 appointments). Familiarisation is expected to take administrative and secretarial staff (whose time is valued at £12.17 per hour) ten minutes to complete.

Other key non-monetised costs by 'main affected groups'

Companies House costs distributing letters to newly appointed UC directors. Potential reduced transparency from the suppression of the day element of director date of births (LLPs, EEIGs, SEs, and UCs).

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	0.0	0.4
High	0.0	0.0	0.4
Best Estimate	0.0	0.0	0.4

Description and scale of key monetised benefits by 'main affected groups'

Applying the director "consent to act" reforms to the UK's approximately 60,400 LLPs, EEIGs, SEs, and UCs is expected to give rise to benefits of approximately £44,500 per annum. When a new company director or secretary is appointed in one of these entities (estimated at 21,900 appointments per annum), administrative and secretarial staff will no longer have to spend ten minutes completing the "consent to act" part of the form.

Other key non-monetised benefits by 'main affected groups'

A more up-to-date register of companies for the public from accelerated LLP strike off. Newly appointed directors of UCs are made aware of their director duties on appointment. Potential reduced identity theft and fraud amongst directors who have the day of their date of birth suppressed from the public register – which could give rise to benefits for individual directors, business and law enforcement agencies. Time savings for directors, because they do not have to sign a "consent to act". The reforms should ensure that companies and other corporate entities are treated equitably in terms of filing requirements.

Key assumptions/sensitivities/risks

Discount rate 3.5

1) It takes other corporate entities ten minutes, as estimated for companies, to complete a director "consent to act"; 2) The director "consent to act" is completed by administrative and secretarial staff within other corporate entities; 3) The average wage across the economy for administrative and secretarial staff is a good proxy for the average wage of these staff in LLPs, EEIGs, SEs and UCs; 4) Non-wage labour costs are 19.8% of wage costs, as measured by Eurostat data for the UK; 5) It takes staff in other corporate entities ten minutes to familiarise themselves with the change from "consent to act" to a statement of truth; 6) Familiarisation with the change will be undertaken by administrative and secretarial staff; and 7) Company formation agents' familiarisation costs will be negligible, because they have already become aware of the change from "consent to act" to statement of consent for companies.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of BIT? Yes	Measure qualifies as OUT
Costs: 0.0	Benefits: 0.0	Net: 0.0		

Evidence Base

1. The Company Filing Requirements proposals are a Red Tape Challenge initiative. This Impact Assessment summarises our estimates of their impact on business over a 10 year period. A description of the key evidence and methodology is contained within the pages that follow. These domestic measures are within scope of the Government's regulatory Business Impact Target, as are classified as a deregulatory 'OUT'. The estimated equivalent annual net cost to business of the proposals is £- 0.04m.

A) Problem under consideration

Background

2. There are advantages to people in doing business through a vehicle which is legally distinct from its owners, i.e. companies, limited liability partnerships etc. One benefit is that the liability of the owners and managers for the corporate entity's debts is limited – for example to the amount of the shares owned by a person (for a company limited by shares) or the amount of the guarantee given by a person (for a company limited by guarantee). Limited liability is seen as a privilege and there are corresponding responsibilities - in order to benefit from limited liability UK corporate bodies are subject to certain legal requirements. One of these is to file information on a public register held by the Registrar of Companies at Companies House in a timely manner to allow anyone considering investing in, lending to or trading with the corporate entity to be able to access information about the corporate entity and make more informed decisions about its financial health.

Simplifying company law requirements

3. Responses to the Company and Commercial Law Red Tape Challenge¹ indicated that there are a number of areas where filing requirements that could be simplified without reducing the wider benefits to society of making information publicly available set out above. Where requirements placed on companies are overly complicated or onerous they place administrative burdens on companies, diverting company resources away from more productive uses. For example in BIS's 2013 consultation on company filing requirements there was support for the removal of "consent to act" as a director.

Improving information on the public register

4. In addition, the responses to the last Government's consultation raised a number of wider problems associated with the information on the public register. For example, there have been complaints that some individuals are being appointed as directors without their knowledge or consent. Incorrect information such as this on the register may have adverse consequences for those involved with companies (i.e. investors, lenders, businesses who trade with them etc.). Where a person has been registered as a director without their permission, rectifying this can be time-consuming and costly for individuals involved.

5. Striking a defunct entity off the register can be a time-consuming process for Companies House. Ensuring corporate entities can be struck off the register in a timely fashion when it is necessary to do so will ensure the register accurately reflects the real world, and increases the usefulness of the register as a source of information about UK corporate entities. This will

¹ See <http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/company-commercial-law/>

benefit those people, businesses and organisations that search the register – and help them make better informed decisions about investing, lending and trading with the affected UK corporate entities

Risk of identity theft

6. The personal information of company directors are made available to the public via the register, in order to give their companies' customers, investors, lenders and businesses who trade with them information about who controls the companies with whom they are dealing. This helps these economic agents to make informed decisions. However this transparency opens up a risk that that company directors are the subject of identity theft and fraud², which can have negative consequences for these individuals (e.g. personal loss due to fraud, distress).³ Therefore the right balance needs to be struck between transparency and the protection of individuals from the risk of being the victim of criminal activity. In 2013 consultation⁴ a clear majority of respondents were (105 responses out of 130, or 80% of respondents) were in favour of full or partial suppression of director dates of birth on the register in order to reduce the risk of identity theft and fraud. Many respondents felt that protection of individuals from identity theft and fraud could be achieved through partial suppression of their date of birth on the public register.

Equity (or 'fairness') between companies and other corporate entities

7. Following the Red Tape Challenge deregulatory changes to a number of company filing requirements were made for companies in the SBEE Act 2015. The measures outlined in this Impact Assessment apply these reforms to other corporate entities. This aims to ensure that different corporate forms are treated equally in terms of filing requirements. Where regulatory failures exist (i.e. poorly designed filing requirements that impose administrative burdens on business or give rise to unintended consequences), it would be inequitable to address these for just companies and not also for other corporate entities. This will ensure all corporate entities benefit from filing reforms.

Which corporate entities are affected by the proposed measures?

8. This Impact Assessment assesses the impact of reforming company filing requirements for different types of corporate entity, such as limited liability partnerships (LLPs)⁵, European Economic Interest Groupings (EEIG)⁶, Societas Europaea (SE)⁷, and unregistered companies

² Identity theft is where criminals gain unauthorised access to an individual's personal information (e.g. name, date of birth, address) and assume that individual's identity. Identity fraud is where this personal information is used to commit a criminal activity, such as obtaining goods or services by deception (e.g. by opening fake bank accounts, or by entering into a contact in someone else's name etc.)

³ There is some evidence from a 2008 analysis by Experian, a credit reference agency, that directors may be more likely to be the subject of identity fraud. See http://www.freshbusinessthinking.com/articles_print.php?CID=8&AID=1210 and <http://www.creditman.co.uk/news/latest-experian-insight-reveals-company-directors-at-significant-risk-of-identity-fraud/>

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/304946/bis-14-635-company-filing-requirements-response.pdf

⁵ A LLP is a legal partnership providing limited liability to the partners in the business. Two or more persons associated for carrying on a lawful business with a view to making a profit can incorporate as a LLP.

⁶ An EEIG is a form of association between companies or other legal bodies, firms or individuals from different EU countries, who need to operate together across national frontiers. It carries out particular tasks for its member-owners and is quite separate from its owners' businesses. Its aim is to facilitate or develop the economic activities of its members.

⁷ A SE is a European public limited liability company. An SE may be created on registration in any one of the Member States of the European Economic Area (EEA). Article 10 of European Council Regulation 2001/2157

(UC)⁸. Table 1 outlines which measures apply to which type of corporate entity. Table 2 then shows the latest available data on the numbers of each type of corporate entity that are active in the UK, and therefore subject to the proposed measures.

Table 1: Which measures apply to which type of corporate entity?

Measure	Corporate entity the measure applies to
Accelerated strike off from the public register	LLP
Director's "consent to act"	LLP SE EEIG UC
Information to newly appointed directors	UC
Date of birth	LLP UC SE EEIG

Table 2: The number of different types of corporate entities within the UK

Type of corporate entity	Number in the UK	Date and Source
Limited Liability Partnerships	60,065	Figure refers to May 2015. Taken from Companies House Official Statistics ⁹
European Economic Interest Groupings	272	Bureau Van Dijk, FAME database
Societas Europaea	45	Figure from July 2015, internal Companies House data.
Unregistered companies	43	Figure from July 2015, internal Companies House data.
Total		BIS internal calculation

9. Depending on the type of entity the numbers range from less than a hundred to tens of thousands. Therefore these types of corporate entities are much less prevalent than the number of active companies in the UK (approximately 3.5 million)¹⁰, and are a subset of the

requires Member States to treat an SE as if it is a public limited company formed in accordance with the law of the Member State in which it has its registered office. UK national laws that apply to public limited companies also apply, in many respects, to SEs registered in the UK (this is applied by Article 9(1)(c)(ii) of European Council Regulation 2001/2157).

⁸Under the Unregistered Companies Regulations 2009, an 'unregistered company' is a body corporate incorporated in, and having a principal place of business in, the United Kingdom, other than: (i) a body incorporated by, or registered under, a public general enactment; (ii) a body not formed for the purpose of carrying on a business that has for its object the acquisition of gain by the body or its individual members; (iii) a body for the time being exempted from section 1043 of the Companies Act 2006 by a direction of the Secretary of State under subsection (1)(c) of that section; or (iv) an open-ended investment company. For more details see http://www.legislation.gov.uk/uksi/2009/2436/pdfs/uksiem_20092436_en.pdf

⁹ The number of effective LLPs partnership on the UK public register of companies. This is the total number of LLPs on the register minus the number of LLPs undergoing liquidation or in the course of being removed from the register. Companies House (2015), 'Incorporated companies in the United Kingdom - May 2015', published 25th June 2015, see <https://www.gov.uk/government/statistics/incorporated-companies-in-the-united-kingdom-may-2015>

¹⁰ Bureau Van Dijk, FAME database and Companies House (2015), 'Incorporated companies in the United Kingdom - May 2015'

UK's 5.2 million private businesses¹¹. However deregulating filing requirements for these other types of UK corporate entity has the potential to generate cumulative savings for business and contribute to the Government's target for reducing Red Tape.

B) Rationale for intervention

10. The problems identified above represent a regulatory failure because the regulatory frameworks around the corporate entities covered by this Impact Assessments are not entirely fit for purpose in achieving its policy objective of encouraging business growth and entrepreneurialism. The current framework imposes unnecessary administrative costs on business, as well as giving rise to some other unintended consequences.

11. The aims of the interventions are:

- 1) to reduce the amount of time it takes corporate entities to interact with the Registrar to enable corporate entities to concentrate more resources on the day to day functions of their business and grow their businesses;
- 2) to improve the accuracy of the register, by making it quicker and easier for the Registrar to strike off entities and ensuring directors listed on the register have given their "consent to act" as directors;
- 3) to ensure that new directors are fully aware of their legal duties as directors, and thus able to properly fulfil their important role in managing corporate entities;
- 4) to reduce the risk of identity theft and fraud that may arise from the transparency about directors through the register;
- 5) the proposals will also ensure that the register is more up to date by removing defunct entities more quickly; and
- 6) to ensure the filing requirements are consistent across different corporate forms.

C) Policy Objective

12. The Government's Manifesto¹² sets out its ambition to make Britain the best place in Europe to set up and expand a business. To help achieve this aim the Manifesto promises to cut a further £10 billion of red tape in the course of the 2015-2020 Parliament.

13. It is important that the UK has a company law framework that gives corporate entities the flexibility to compete and grow effectively. It is important to ensure that creditors, customers and suppliers have the information they need in order to be able to make informed decisions before engaging in economic activity with corporate entities.

14. The Government therefore wants to reduce the number of unnecessary regulations that increase the cost of doing business but do not give rise to benefits to other economic agents. Therefore the regulations are designed to adjust requirements to file information with

¹¹ Official Statistics show that there were 5.2 million private businesses in the UK at the start of 2014. BIS (2014), 'Business Population Estimates for the UK and the Regions 2014' https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377934/bpe_2014_statistical_release.pdf

¹² Conservative Party General Election 2015 Manifesto <https://www.conservatives.com/manifesto>

Companies House, and fix some identified problems with the current system (outlined earlier in this Impact Assessment).

D) Summary of the policy options

15. Part 8 of the Small Business, Employment and Enterprise Act 2015 contains a package of measures to reduce regulatory burdens on corporate entities and improve the information on the register. The measures in Part 8 are being implemented in tranches; the first tranche of which will apply from 1 October 2015.

16. The Government's approach is that where a provision applies to another corporate entity as well as a company, any changes to that provision should apply to that corporate entity as well as to companies.¹³ The Government therefore intends to apply the measures in Part 8 of the SBEE Act to other corporate entities at the same time as they are applied to companies.

17. Specifically, the first tranche comprises the following measures:

- i. Accelerated strike off. The procedure to strike off and dissolve an LLP from the register is being amended to reduce the times that the process takes. This will improve the accuracy of the register.
- ii. Filing details of company directors and secretaries. The filing requirements on LLPs, EEIGs, SE and UCs for newly appointed directors and secretaries are being simplified. We will remove the requirement for these corporate entities to complete a "consent to act" within the form which notifies Companies House of the details of the director. The hard copy requires the newly appointed director to sign the form; the electronic form requires information which helps to identify the individual. The "consent to act" is sent to Companies House but is not made available on the register. The Government is replacing the "consent to act" by a statement from the company that the person has consented to act.
- iii. Information to newly appointed directors. Companies House will write to newly appointed directors of UCs following their appointment providing information about their duties as a director.
- iv. Date of birth of directors. In order to provide protection against identity theft, the day element of a director's date of birth will no longer be shown on the public register (the most common way filed information is accessed). LLPs, EEIGs, SE and UCs will still need to provide the full date of birth to Companies House and this will be available on request to credit reference agencies and public enforcement bodies. It will also be available to those who inspect an entity's register at their registered office address (this is free to members of a corporate entity and available to others who pay a fee).

18. These deregulatory set of measures require legislation to enact (which is our preferred option). Apart from the "Do nothing" option, no other options have been considered. As previously described the current regulatory framework imposes unnecessary administrative costs on business, as well as giving rise to some other unintended consequences, for both companies and other corporate entities. We believe that it is equitable to make sure that other corporate entities can benefit from filing requirement reform in the same way as companies can. Doing nothing would be inequitable for other corporate entities, and would forgo the benefits the measures give rise to (for other corporate entities, their directors and for users of the public register).

¹³ The link provides analysis of the impact of the measures on companies https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/327259/bis-14-909-impact-assessment-company-filing-requirements.pdf

E) Assessment of impact of policy options

Do Nothing

Benefits

19. Doing nothing is not expected to give rise to any benefits to other corporate entities (and thus the economy or wider society), except for foregoing the familiarisation costs of the preferred option.

Costs

20. The costs of doing nothing are the foregone monetised and non-monetised benefits of the preferred option – outlined later in Section E.

Net impact summary:

21. The do nothing option is not considered desirable, as the problem highlighted in Section A of this Impact Assessment will be allowed to persist and the preferred option, which is net beneficial to business, will not be implemented.

Preferred option – apply filing reforms to other corporate entities

22. The benefits and costs related to preferred option, as set out in Section D of this Impact assessment, are set out below.

Accelerated Strike Off

23. The legislation associated with the time required for Companies House to strike an LLP of the register is based on that for companies, which has not been amended since 1908. The origins are based in a time when paper was the only method of informing the parties involved. Technology now allows rapid communication and has sped up the processing of information. In order to ensure that the register is as up to date as possible and that LLPs that are no longer trading are removed quickly from the register we will reduce the time it takes to strike off and dissolve an LLP.

24. We are amending the procedure to strike off and dissolve an LLP from the register from six months down to three months in all cases. Because improvements in technology has allowed faster processing of information and communications three months should allow sufficient time for creditors to be made aware of the proposals to strike off an LLP and seek to keep the LLP on the register.¹⁴ Where such requests are not made the LLP can be removed as quickly as possible which will improve transparency for those consulting the register.

25. For the last financial year 2014/15 approximately 8,000 LLPs were struck off the register across the whole of the UK.

¹⁴ There are a number of reasons why an interested party may object to an LLP being struck off the register. These are outlined in Companies House (2014), 'Limited liability partnership strike off, dissolution and restoration', https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414011/GPLLP3_Strike_off_dissoluti_on_restoration_v3_3-ver0.3.pdf

Benefits

26. The measure will allow the quicker removal of defunct or fraudulent LLPs from the register. This will improve the accuracy and integrity of the register for its users (i.e. individuals and businesses who search the register to obtain information about LLPs). We expect better information will help economic agents make more informed decisions (e.g. about trading or lending to corporate entities). However we do not have sufficient information to quantify the benefits of improved integrity and accuracy of the register.

27. We do not expect accelerated strike off to result in savings for Companies House. They will continue to go through the same processes as before, albeit be able to proceed more quickly.

Costs

28. There are not expected to be any additional familiarisation costs associated with this measure for involved parties (e.g. creditors, members of the LLP). Strike off is procedural and once an application is made to strike off an LLP existing, standard communications to interested parties will clearly state the amount of time that third parties have to comment on the proposals.

Net impact summary:

29. No costs or benefits have been quantified for this measure, though we expect the proposal to be net beneficial to society due to the non-monetised benefits of this measure, arising from improved accuracy and integrity of the register.

Filing details of directors, members and secretaries

30. We are removing the requirement for LLPs, EEIGs, SEs, and UCs to file a “consent to act” for newly appointed directors and secretaries. Under the current requirements each time an LLP, EEIG, SE or UC appoints a new director or secretary they must complete a “consent to act”, including upon registration. This information is delivered within the form which notifies Companies House of the details of the director. The “consent to act” can be delivered either in hard copy or electronically. The hard copy requires the newly appointed director to sign the form. The electronic form requires information about the individual. The company must provide the following information on the director/ secretary:

- Eye Colour;
- Hair colour;
- Mothers maiden name;
- Fathers first name;
- Passport number;
- National insurance number; and
- Town of birth.

31. At present the “consent to act”, as described above, is sent to Companies House but the information is not made available on the register. Also Companies House does not check the information supplied within the “consent to act” with the individual to whom the document relates. Therefore the requirement to send a “consent to act” to Companies House is a legal requirement which serves little purpose (e.g. it does not provide information to be made available to users of the register, or help ensure that director details on the register are correct), while it generates administrative burdens for individuals and business.

32. Directors are appointed in many different ways. New directors may travel to attend the business’s head office or registered office of the corporate entity to complete and sign the form, or they might do it via correspondence (e.g. using the phone or post), which also involves costs (in terms of time and money) for directors – which are in addition to the administrative costs to the business of processing a “consent to act”.

33. The new process will add a simple confirmation tick box to the existing notification of director form stating that the new director has consented to act as a director/secretary for the entity. Should the director contest the appointment the company will be asked to provide evidence that the director agreed to be a director, which would normally be in the form of a contract or agreement between the two parties.

Benefits

34. There will be a reduction in costs to corporate entities as they will no longer be required to complete the “consent to act” section of the form (described above) notifying Companies House that a director has been appointed. When gathering evidence for the company filing requirement Impact Assessment, BIS gathered evidence on this impact through Companies House. Companies House use a web analytical tool called Piwik to monitor the use of Companies House services. When electronic forms are being completed this tool is able to work out average times taken for inputting of data.

35. Piwik shows that for the year up to 28/04/2014 the average time spent, by those completing the electronic form, on the Officer’s section of the form notifying a new director or secretary, was 7 minutes 40 seconds. In addition to this it takes time for a company to gather the required information which is included in the “consent to act”. To try and understand how long it takes for a company to gather this information the Companies House Customer Care team contacted a range of companies and company formation agents. They were asked on average how long it would take to ask an individual for the information required in the electronic “consent to act” form. The majority explained that normally compiling the information for the “consent to act” meant making a phone call which would last around 2-3 minutes where the individual was asked for the information required. In total, based on the evidence gathered, it was estimated that it would take 10 minutes to complete the “consent to act” section of the form.

36. We have no evidence to suggest that the amount of time it will take to complete the “consent to act” will vary between companies and other types of corporate entities. Therefore in this analysis we have assumed that for affected LLPs, EEIGs, SEs, and UCs it will take 10 minutes to complete the “consent to act”, as it did for companies.

37. The table below illustrates Companies House internal data on newly appointed directors and secretaries.

Table 3: UK Appointments of natural directors and secretaries, 1st June 2014 to 31st May 2015

Source of director / secretary appointment	Number of appointments
Natural Directors Appointed from event driven filings (AP01 forms)	377,500
Natural Secretaries Appointed from event driven filings (AP03 forms)	56,200
Natural Directors Appointed from Incorporations	725,100
Natural Secretaries Appointed from Incorporations	140,000
Total	1,298,800

38. There are approximately 3.58 million entities on the register. This equates to 0.4 new director or secretary appointments per company, assuming each company has appointed only one director or secretary within the last year. Multiplying this by 60,400 – the approximate number of LLPs, EEIGs, SEs, and UCs in the UK – gives an indicative 21,900 director or secretary appointments per annum in the UK.

39. Each corporate entity saves ten minutes per appointment. We assume that the task will be conducted by administrative and secretarial staff within corporate entities. The Office for National Statistics Annual Survey of Hours and Earnings, 2014 provisional results¹⁵, shows that the median wage across the UK for administrative and secretarial staff is £10.16 per hour. We then uplift this by 19.8% to take into account non-wage labour costs (e.g. National Insurance and pension contributions). The 19.8% is taken from 2014 Eurostat data for the UK.¹⁶ This gives a wage of £12.17.

40. Therefore the ongoing total annual administrative saving from removing the requirement for LLPs, EEIGs, SEs, and UCs to file a “consent to act” for newly appointed directors and secretaries is £44,500. This is calculated as follows:

41. £12.17 per hour * 10/60 hours * 21,900 director or secretary appointments in other corporate entities per annum = £44,500 saving per annum.

42. There will also be minimal time savings to individual directors, who will no longer have to sign the “consent to act”. New directors may travel to attend the business’s head office or registered office of the corporate entity to sign the form, or they might do it via correspondence (e.g. using the phone or post), which also involves costs (in terms of time and money) for directors. We have not sufficient evidence to quantify and monetise these savings to individuals.

Costs

43. There will be some one-off familiarisation costs as a result of the change in requirement to file a statement of truth as opposed to “consent to act”. These costs will arise where a corporate entity appoints a new director. As stated above amongst the affected corporate

¹⁵ Office for National Statistics (2014), ‘Annual Survey of Hours and Earnings, 2014 provisional results’, <http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2014-provisional-results/stb-ashe-statistical-bulletin-2014.html>

¹⁶ Eurostat (2015), Labour costs per hour in EUR, 2004-2014 whole economy excluding agriculture and public administration, http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png

entities we estimate there to be around 21,900 director or secretary appointments per annum in the UK amongst. In the previous company filing Impact Assessment it was estimated (by Companies House) that it would take affected companies ten minutes of staff time to familiarise themselves with the proposed changes to “consent to act”. We assume that this amount of time will apply to staff in other corporate entities, as it did in companies. We assume that administrative and secretarial staff undertakes the familiarisation. The value placed on an hour of these staff members’ time, as previously stated, is £12.17.

44. Therefore total one-off familiarisation costs in the first year amongst affected LLPs, EEIGs, SEs, and UCs are calculated as follows:

45. £12.17 per hour * 10/60 hours * 21,900 director or secretary appointments in other corporate entities per annum = £44,500.

46. We do not anticipate any meaningful familiarisation costs for company formation agents who may be involved in the establishment of other corporate entities as well as companies. The costs to these individuals of becoming familiar with the change to a statement of truth rather than a “consent to act” was included in the company filing requirement Impact Assessment. Therefore these individuals have already become available with the detail of the change. Becoming familiar with the fact the change now applies to LLPs, EEIGs, SEs, and UCs, as well as companies, is not expected to lead to any significant familiarisation time.

Net impact summary:

Table 4: Net impact of director “consent to act” change

Director “consent to act”	Total (£)
Benefits – one-off	N/A
Benefits – ongoing (per annum)	£44,500
Costs – one-off	£44,500
Costs – ongoing (per annum)	N/A

Providing newly appointed directors information on their duties

47. Companies House will write to directors of unregistered companies (of which there are currently just 43 in the UK) following their appointment. This is to notify them that their appointment has been recorded on the register and to direct them to information about their legal duties as a director. We lack precise data on how many directors are newly appointed to the boards of unregistered companies each year. However it is likely, given the small number of unregistered companies, that the number of directors affected by this reform in future years will be few.

Benefits

48. The benefit of this measure is that all newly appointed directors of unregistered companies will be made aware of their legal duties. This should help to ensure that they are aware of, and therefore fulfil their legal duties. To the extent that any individual have been appointed as a director without either their consent or knowledge, directors will be able to object to being named as a director. Through other changes being made by BIS, if a company is not able to provide evidence that the individual has agreed to act as one of their director, the

Registrar is able to remove the individual's name as a director from the register. The combination of these policy changes, therefore, should help ensure that only directors who have agreed to act as directors are listed on the register.

Costs

49. This measure is not expected to give rise to any costs to businesses or individuals. It could give rise to some costs for Companies House in distributing letters to newly appointed directors. We have not quantified these costs, though we do not expect these costs to be large given the small number of directors likely to be involved each year.

Net impact summary:

50. The unquantified benefits of this measure to individuals are thought to justify the unquantified potential expense for Companies House that this measure creates.

Date of birth of directors on the register

51. In order to provide protection against identity theft, the day element of a director's date of birth will no longer be shown on the public register (the most common way filed information is accessed by organisations and individuals). LLPs, EEIGs, SE and UCs will still need to provide the full date of birth to Companies House and this will be available on request to credit reference agencies and public enforcement bodies. This is in total around 60,400 corporate entities (see Table 2 for breakdown by type of corporate entity).

Benefits

52. Identity theft, and the fraud it can result, can lead to financial loss and distress to its victims. Tajpour, A. et al (2013) noted that identity fraud is a 'significant and growing problem...due to the significant economic harm [it] pose[s] for victims'.¹⁷ Button et al (2014) conducted 30 face-to-face interviews and nearly 800 telephone interviews with fraud victims and family members in England and Wales, in order to determine the impact it had.¹⁸ They found the some of the primary impacts of fraud are 'financial hardship, broken relationships, psychological effects, mental and physical health problems'. They also found that fraud can have secondary impacts, such as 'damage to reputation and celebrity' and 'negative changes in behaviour'. They also highlight there can be a variation in impact between crimes, with some victims not suffering a large impact, while in other cases the impacts were 'devastating'.

53. Some evidence from the USA places a value on identity theft. Piquero, N. L et al (2010) conducted some 'willingness to pay' experiments with members of the public, where it was the researchers set out to value the impact of identity theft by finding out how much individual's would be willing to pay to avoid it happening to them in a number of hypothetical situations. Based on their experiments and other evidence they concluded that the 'average cost per identity theft...range[d] from approximately \$2,800 to \$5,100'.¹⁹ This estimate included both costs to victims (elicited by the willingness to pay experiments) and evidence on the costs to businesses affected by fraudulent activity after an identity theft has been committed. If we

¹⁷ Tajpour, A., Ibrahim, S., and Zamani, M. (2013), 'International Journal of Information Processing and Management', Vol. 4 Issue 7, p51-58.

¹⁸ Button, M., Lewis, C., and Tapley, J. (2014), 'Not a victimless crime: The impact of fraud on individual victims and their families', Security Journal 27, 36-54

¹⁹ Piquero, N. L., Cohen, M. A. and Piquero, A. R. (2010), 'How Much is the Public Willing to Pay to be Protected from Identity Theft?', Justice Quarterly, Volume 28, Issue 3

convert this into pounds and assume that these figures have risen in line with inflation, this gives an average cost per identity of theft of between £1,500 and £3,600.²⁰

54. In addition to the specific literature on the costs of identity theft and fraud there is a broader literature on the economic and social costs of crime, which includes estimates of the costs of fraud in the UK. Brand and Price (2000) highlight that fraud is one of the most costly crimes in the UK. The economic and social costs of fraud in the UK include: 1) costs in anticipation of fraud (e.g. security spending); 2) the value of stolen money/items as a consequence of fraud (the largest component of the total cost of fraud in their estimates); and 3) costs to police, other law enforcement agencies, and the criminal justice system that arise from investigating and prosecuting perpetrators of fraud.²¹ They estimated that the total annual economic and social cost of fraud in the UK was £13.8 billion (in 2000 prices). The Brand and Price (2000) analysis was informed by a more detailed analysis by National Economic Research Associates (NERA)²². Therefore, although not recent, this evidence suggests that fraud, of which identity fraud is one component, is quite costly to UK society.

55. Based upon all of the above evidence it is possible to conclude that identity theft and fraud can have a negative impact on individuals, businesses, and public enforcement bodies. To the extent that identity theft and fraud can be reduced by the suppression from the register of the day element of a director's date of birth these costs will be reduced. However, the quality of evidence available does not allow us to monetise the benefits of the proposed policy. This is because we lack evidence on: 1) the number of cases of identity theft and fraud that may arise directly as a result of personal information about directors being made available on the register; and 2) the effect that suppression of the day element of a director's date of birth will have on the incidence of identity theft and fraud.

Costs

56. Corporate entities will still be required to provide their directors' full date of births to Companies House, so the measure will not reduce the amount of time and effort it takes to file information with them. As no process is changing, it is not expected that corporate entities will incur any familiarisation costs as a result of the policy measure.

57. Credit reference agencies and public enforcement bodies will still be able to access the full date of births, so will not face any costs as a result of the change, and will continue to be able to use a director's full date of birth for the purposes of providing third parties with assessment of their creditworthiness and for enforcement purposes

58. The change may bring about a small loss of transparency for users of the register, as information that was previously made available to the public (i.e. a director's day of birth) will no longer be made available. However it is not expected to have a material impact for users of the register, as there will still be a significant amount of information about directors available, to allow users of the register to learn about who controls a corporate entity and to build up a picture of them. This information includes a director's name and any former name; service address; month and year of birth; usual country of residence; nationality; and business occupation (if they have an occupation).²³ In addition, the full date of birth of a director will

²⁰ Calculation uses exchange rate of £0.64 = \$1, as of 30th July 2015. The figures are then updated for inflation using HM Treasury GDP Deflators for July 2015.

²¹ Brand, S and Price, R. (2000), 'The economic and social costs of crime', Home Office Research Study 217, <http://webarchive.nationalarchives.gov.uk/20110218135832/rds.homeoffice.gov.uk/rds/pdfs/hors217.pdf>

²² National Economic Research Associates (2000), 'The Economic Cost of Fraud: A Report for the Home Office and the Serious Fraud Office'

²³ See part 163 (1) of the Companies Act 2006 <http://www.legislation.gov.uk/ukpga/2006/46/part/10/chapter/1/crossheading/register-of-directors-etc>

continue to be available on request by inspecting in person the register of directors held by the entity (accessible for free to members of the corporate entity and to others who pay a fee). This method of accessing information about directors, as it is not anonymous and involves directly engaging with the entity, is much less likely to be used by those who want to access director information for criminal purposes.

Net impact summary:

59. The costs and benefits of this proposal have not been quantified and monetised. However the small, unquantified loss of corporate transparency is expected to be outweighed by the unquantified benefits to individual directors in terms of reduced risk and incidence of identity theft and fraud, as well as possible savings to business and law enforcement agencies.

Cross cutting costs to business

60. As a result of the company filings reforms IT companies, who sell secretarial software they offer to business to help them complete their filings, will need to adapt their products. The costs of doing this were estimated in the 2014 company filing IA. It is not expected that the application of the filing reforms to other corporate entities will lead to any additional software costs in addition to the one-off costs outlined in the 2014 IA.

Costs to government

61. We do not expect there to be any costs to Companies House related to new IT or changing processes. This is because Companies House has already adapted its IT systems and processes as a result of 2014 filing reforms applying to companies. Adding other corporate entities to these new systems and process is expected to be straightforward (and in fact it could be more costly to run different filing processes just for other corporate entities that are not companies).

Summary of costs and benefits

62. The table below summarises the monetised costs and benefits set out above. We have only been able to quantify the costs and benefits of changes to Director’s “consent to act”, however qualitatively we expect the benefits of the other policies to outweigh any costs.

Table 5: Summary of estimated costs and benefits

Policy	Benefits – ongoing	One-off costs	Ongoing costs
Accelerated Strike-off	Not quantified	Not quantified	Not quantified
Director “consent to act”	£44,500	£44,500	N/A
Information to newly appointed directors	Not quantified	Not quantified	Not quantified
Date of birth	Not quantified	Not quantified	Not quantified
TOTAL	£44,500	£44,500	N/A

63. The total, net present value of the benefits minus the costs of the preferred option, over a ten year appraisal period, is £0.34m. The net present value to business is also £0.34m. Using the BRE EANCB calculator shows that in 2014 prices the EANCB of the preferred option is £ - 0.04m. Therefore the measure counts as an OUT under the Government’s regulatory Business Impact Target.

F) Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

64. This Fast Track Validation Stage Impact Assessment for the implementation of Red Tape Challenge measures identified in the 2010-2015 Parliament builds upon the previous company filing Impact Assessment that was approved by the Regulatory Policy Committee. This Impact Assessment has used a range of available data and evidence (e.g. official data, academic literature and stakeholder information) to estimate the potential impact this regulatory change will have on business.

G) Risks and assumptions

65. The analysis involves the following assumptions:

- It takes other corporate entities ten minutes, as it was estimated to do for companies, to complete a director “consent to act”.
- The director “consent to act” is completed by administrative and secretarial staff within other corporate entities.
- The average wage across the economy for administrative and secretarial staff is a good proxy for the average wage of these staff in LLPs, EEIGs, SEs and UCs.
- Non-wage labour costs are 19.8% of wage costs, as measured by Eurostat data for the UK.
- It takes staff in other corporate entities ten minutes to familiarise themselves with the change from “consent to act” to a statement of truth.
- Familiarisation with the change will be undertaken by administrative and secretarial staff.
- Company formation agents’ familiarisation costs will be negligible, because they have already become aware of the change from “consent to act” to statement of truth for companies.

H) Wider impacts

Statutory Equality Duties

66. We do not believe that the measures outlined in this document will give rise to any impact on equalities.

Economic Impacts

Competition Impact Test:

67. The regulations are not expected to have any impacts on competition between businesses within the UK. The measures are part of a package of measures, being implemented in tranches, across companies and other forms of corporate entity.

Small and Micro Business Assessment (SaMBA):

68. Small and micro businesses are in scope of the proposals. Therefore they are able to benefit from reduced administrative burdens in the same way that larger corporate entities are. With the data available we have not been able to identify how many LLPs, EEIGs, SEs, and UCs are small and micro businesses, and therefore to break down the estimated overall impact of the proposals to show the impact on small and micro businesses.

Environmental Impacts

69. The regulations are not expected to give rise to any environmental impacts.

Social Impacts

Health and Well-Being:

70. The regulations are not expected to give rise to any health and well-being impacts. To the extent that: 1) identity theft and fraud amongst directors occurs; 2) it results in reduced well-being for individual directors; and 3) the suppression of the day element of a director's date of birth on the register prevents identity theft and fraud, then the changes could improve well-being.

Human Rights:

71. The regulations are not expected to give rise to any human rights impacts.

Justice System:

72. The regulations are not expected to give rise to any justice system impacts.

Rural proofing:

73. The regulations are not expected to give rise to any differential impact on corporate entities located in rural areas.

Sustainable Development:

74. The regulations are not expected to give rise to any sustainable development impact.

Family Test:

75. The DWP Family Test²⁴ sets out the following questions from officials to consider during policy-development.

- What kinds of impact might the policy have on family formation?
- What kind of impact will the policy have on families going through key transitions such as becoming parents, getting married, fostering or adopting, bereavement, redundancy, new caring responsibilities or the onset of a long-term health condition?

²⁴ DWP (2014), The Family Test: Guidance for Government Departments, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368894/family-test-guidance.pdf

- What impacts will the policy have on all family members' ability to play a full role in family life, including with respect to parenting and other caring responsibilities?
- How does the policy impact families before, during and after couple separation?
- How does the policy impact those families most at risk of deterioration of relationship quality and breakdown?

76. The regulations outlined in this impact assessment do not give rise to any direct or indirect impacts for families relating to any of the above questions.