



Companies Act 2006

2006 CHAPTER 46

PART 42

STATUTORY AUDITORS

CHAPTER 2

INDIVIDUALS AND FIRMS

Eligibility for appointment

1212 Individuals and firms: eligibility for appointment as a statutory auditor

- (1) An individual or firm is eligible for appointment as a statutory auditor if the individual or firm—
 - (a) is a member of a recognised supervisory body, and
 - (b) is eligible for appointment under the rules of that body.
- (2) In the cases to which section 1222 applies (individuals retaining only 1967 Act authorisation) a person's eligibility for appointment as a statutory auditor is restricted as mentioned in that section.

1213 Effect of ineligibility

- (1) No person may act as statutory auditor of an audited person if he is ineligible for appointment as a statutory auditor.
- (2) If at any time during his term of office a statutory auditor becomes ineligible for appointment as a statutory auditor, he must immediately—
 - (a) resign his office (with immediate effect), and
 - (b) give notice in writing to the audited person that he has resigned by reason of his becoming ineligible for appointment.

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- (3) A person is guilty of an offence if—
- (a) he acts as a statutory auditor in contravention of subsection (1), or
 - (b) he fails to give the notice mentioned in paragraph (b) of subsection (2) in accordance with that subsection.
- (4) A person guilty of an offence under subsection (3) is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- (5) A person is guilty of an offence if—
- (a) he has been convicted of an offence under subsection (3)(a) or this subsection, and
 - (b) he continues to act as a statutory auditor in contravention of subsection (1) after the conviction.
- (6) A person is guilty of an offence if—
- (a) he has been convicted of an offence under subsection (3)(b) or this subsection, and
 - (b) he continues, after the conviction, to fail to give the notice mentioned in subsection (2)(b).
- (7) A person guilty of an offence under subsection (5) or (6) is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding [^{F1}one-tenth of the statutory maximum][^{F1}one-tenth of the greater of £5,000 or the amount corresponding to level 4 on the standard scale for summary offences] for each day on which the act or the failure continues.
- (8) In proceedings against a person for an offence under this section it is a defence for him to show that he did not know and had no reason to believe that he was, or had become, ineligible for appointment as a statutory auditor.

Textual Amendments

- F1** Words in s. 1213(7)(b) substituted (E.W.) (12.3.2015) by [The Legal Aid, Sentencing and Punishment of Offenders Act 2012 \(Fines on Summary Conviction\) Regulations 2015 \(S.I. 2015/664\)](#), reg. 1(1), [Sch. 3 para. 9\(24\)](#) (with reg. 5(1))

Independence requirement

1214 Independence requirement

- (1) A person may not act as statutory auditor of an audited person if one or more of subsections (2), (3) and (4) apply to him.
- (2) This subsection applies if the person is—
- (a) an officer or employee of the audited person, or
 - (b) a partner or employee of such a person, or a partnership of which such a person is a partner.
- (3) This subsection applies if the person is—

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- (a) an officer or employee of an associated undertaking of the audited person, or
 - (b) a partner or employee of such a person, or a partnership of which such a person is a partner.
- (4) This subsection applies if there exists, between—
- (a) the person or an associate of his, and
 - (b) the audited person or an associated undertaking of the audited person,
- a connection of any such description as may be specified by regulations made by the Secretary of State.
- (5) An auditor of an audited person is not to be regarded as an officer or employee of the person for the purposes of subsections (2) and (3).
- (6) In this section “associated undertaking”, in relation to an audited person, means—
- (a) a parent undertaking or subsidiary undertaking of the audited person, or
 - (b) a subsidiary undertaking of a parent undertaking of the audited person.
- (7) Regulations under subsection (4) are subject to negative resolution procedure.

Modifications etc. (not altering text)

- C1** S. 1214 applied (15.12.2007) by [The Companies \(Cross-Border Mergers\) Regulations 2007 \(S.I. 2007/2974\)](#), [reg. 9\(8\)\(b\)](#)
- C2** S. 1214 applied (1.1.2012) by [Budget Responsibility and National Audit Act 2011 \(c. 4\)](#), ss. 20, 29, [Sch. 2 para. 25\(4\)](#); S.I. 2011/2576, [art. 3\(c\)](#) (with art. 4)

Commencement Information

- I1** S. 1214 wholly in force at 6.4.2008; s. 1214 not in force at Royal Assent, see s. 1300; s. 1214 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 1214 in force at 6.4.2008 by [S.I. 2007/3495](#), [art. 3\(1\)\(u\)](#) (with savings in [arts. 7, 12](#), [Sch. 4 paras. 37-42](#))

1215 Effect of lack of independence

- (1) If at any time during his term of office a statutory auditor becomes prohibited from acting by section 1214(1), he must immediately—
- (a) resign his office (with immediate effect), and
 - (b) give notice in writing to the audited person that he has resigned by reason of his lack of independence.
- (2) A person is guilty of an offence if—
- (a) he acts as a statutory auditor in contravention of section 1214(1), or
 - (b) he fails to give the notice mentioned in paragraph (b) of subsection (1) in accordance with that subsection.
- (3) A person guilty of an offence under subsection (2) is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- (4) A person is guilty of an offence if—
- (a) he has been convicted of an offence under subsection (2)(a) or this subsection, and

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- (b) he continues to act as a statutory auditor in contravention of section 1214(1) after the conviction.
- (5) A person is guilty of an offence if—
- (a) he has been convicted of an offence under subsection (2)(b) or this subsection, and
- (b) after the conviction, he continues to fail to give the notice mentioned in subsection (1)(b).
- (6) A person guilty of an offence under subsection (4) or (5) is liable—
- (a) on conviction on indictment, to a fine;
- (b) on summary conviction, to a fine not exceeding [^{F2}one-tenth of the statutory maximum][^{F2}one-tenth of the greater of £5,000 or the amount corresponding to level 4 on the standard scale for summary offences] for each day on which the act or the failure continues.
- (7) In proceedings against a person for an offence under this section it is a defence for him to show that he did not know and had no reason to believe that he was, or had become, prohibited from acting as statutory auditor of the audited person by section 1214(1).

Textual Amendments

- F2** Words in s. 1215(6)(b) substituted (E.W.) (12.3.2015) by [The Legal Aid, Sentencing and Punishment of Offenders Act 2012 \(Fines on Summary Conviction\) Regulations 2015 \(S.I. 2015/664\)](#), reg. 1(1), [Sch. 3 para. 9\(25\)](#) (with reg. 5(1))

Effect of appointment of a partnership

1216 Effect of appointment of a partnership

- (1) This section applies where a partnership constituted under the law of—
- (a) England and Wales,
- (b) Northern Ireland, or
- (c) any other country or territory in which a partnership is not a legal person, is by virtue of this Chapter appointed as statutory auditor of an audited person.
- (2) Unless a contrary intention appears, the appointment is an appointment of the partnership as such and not of the partners.
- (3) Where the partnership ceases, the appointment is to be treated as extending to—
- (a) any appropriate partnership which succeeds to the practice of that partnership, or
- (b) any other appropriate person who succeeds to that practice having previously carried it on in partnership.
- (4) For the purposes of subsection (3)—
- (a) a partnership is to be regarded as succeeding to the practice of another partnership only if the members of the successor partnership are substantially the same as those of the former partnership, and

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- (b) a partnership or other person is to be regarded as succeeding to the practice of a partnership only if it or he succeeds to the whole or substantially the whole of the business of the former partnership.
- (5) Where the partnership ceases and the appointment is not treated under subsection (3) as extending to any partnership or other person, the appointment may with the consent of the audited person be treated as extending to an appropriate partnership, or other appropriate person, who succeeds to—
- (a) the business of the former partnership, or
- (b) such part of it as is agreed by the audited person is to be treated as comprising the appointment.
- (6) For the purposes of this section, a partnership or other person is “appropriate” if it or he—
- (a) is eligible for appointment as a statutory auditor by virtue of this Chapter, and
- (b) is not prohibited by section 1214(1) from acting as statutory auditor of the audited person.

Modifications etc. (not altering text)

- C3 S. 1216 applied (with modifications) (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), [art. 5](#) (with [art. 6](#), [12](#))
- C4 S. 1216 applied (6.4.2008) by [1996 c. 52, Sch. 1 para. 16C\(3\)](#) (as substituted by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), [art. 3\(1\)](#), [Sch. 1 para. 202\(3\)](#) (with [arts. 6](#), [11](#), [12](#)))
- C5 S. 1216 applied (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), [ss. 131\(7\)](#), [325](#); [S.I. 2010/862](#), [art. 2](#) (with [Sch.](#))
- C6 S. 1216 applied (1.1.2012) by [Budget Responsibility and National Audit Act 2011 \(c. 4\)](#), [ss. 20](#), [29](#), [Sch. 2 para. 25\(4\)](#); [S.I. 2011/2576](#), [art. 3\(c\)](#) (with [art. 4](#))

Supervisory bodies

1217 Supervisory bodies

- (1) In this Part a “supervisory body” means a body established in the United Kingdom (whether a body corporate or an unincorporated association) which maintains and enforces rules as to—
- (a) the eligibility of persons for appointment as a statutory auditor, and
- (b) the conduct of statutory audit work,
- which are binding on persons seeking appointment or acting as a statutory auditor^{F3} . . . because they are members of that body^{F3} . . .

- [^{F4}(1A) The rules referred to in [^{F5}paragraphs 9(1A) and 10C(3) (bar on appointment as director or other [^{F6}officer),] paragraph 9(3)(b) (confidentiality of information)] [^{F7}and paragraph 12(3)(b)(v) (temporary prohibition from exercising functions in a firm)] of Schedule 10 must also be binding on persons who—
- (a) have sought appointment or acted as a statutory auditor, and
- (b) have been members of the body at any time after the commencement of this Part.]

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- (2) In this Part references to the members of a supervisory body are to the persons who, whether or not members of the body, are subject to its rules in seeking appointment or acting as a statutory auditor.
- (3) In this Part references to the rules of a supervisory body are to the rules (whether or not laid down by the body itself) which the body [^{F8}or the competent authority] has power to enforce and which are relevant for the purposes of this Part.
- This includes rules relating to the admission or expulsion of members of the body, so far as relevant for the purposes of this Part.
- (4) Schedule 10 has effect with respect to the recognition of supervisory bodies for the purposes of this Part.

Textual Amendments

- F3** Words in s. 1217(1) omitted (6.4.2008) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 4(2)**
- F4** S. 1217(1A) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 4(3)**
- F5** Words in s. 1217(1A) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), **reg. 1(1)(a)**, **Sch. 3 para. 29(2)**
- F6** Words in s. 1217(1A) substituted (1.5.2017) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), **regs. 1(2)**, **13(3)(a)**
- F7** Words in s. 1217(1A) inserted (1.5.2017) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), **regs. 1(2)**, **13(3)(b)**
- F8** Words in s. 1217(3) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), **reg. 1(1)(a)**, **Sch. 3 para. 29(3)**

1218 Exemption from liability for damages

- (1) No person within subsection (2) is to be liable in damages for anything done or omitted in the discharge or purported discharge of functions to which this subsection applies.
- (2) The persons within this subsection are—
- (a) any recognised supervisory body,
 - (b) any officer or employee of a recognised supervisory body, and
 - (c) any member of the governing body of a recognised supervisory body.
- (3) Subsection (1) applies to the functions of a recognised supervisory body so far as relating to, or to matters arising out of, any of the following—
- (a) rules, practices, powers and arrangements of the body to which the requirements of Part 2 of Schedule 10 apply;
 - (b) the obligations with which paragraph 20 of that Schedule requires the body to comply;
 - (c) any guidance issued by the body;
 - (d) the obligations imposed on the body by or by virtue of this Part [^{F9}or by or by virtue of the Statutory Auditors and Third Country Auditors Regulations 2016;]
 - [^{F10}(e) the obligations imposed on the body by or by virtue of the Audit Regulation.]

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- (4) The reference in subsection (3)(c) to guidance issued by a recognised supervisory body is a reference to any guidance or recommendation which is—
- (a) issued or made by it to all or any class of its members or persons seeking to become members, and
 - (b) relevant for the purposes of this Part ^{F11}, the Statutory Auditors and Third Country Auditors Regulations 2016 or the Audit Regulation],
- including any guidance or recommendation relating to the admission or expulsion of members of the body, so far as relevant for the purposes of this Part ^{F12}, the Statutory Auditors and Third Country Auditors Regulations 2016 or the Audit Regulation].
- (5) Subsection (1) does not apply—
- (a) if the act or omission is shown to have been in bad faith, or
 - (b) so as to prevent an award of damages in respect of the act or omission on the ground that it was unlawful as a result of section 6(1) of the Human Rights Act 1998 (c. 42) (acts of public authorities incompatible with Convention rights).

Textual Amendments

- F9** Words in s. 1218(3)(d) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 30(2)(a)**
- F10** S. 1218(3)(e) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 30(2)(b)**
- F11** Words in s. 1218(4)(b) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 30(3)(a)**
- F12** Words in s. 1218(4) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 30(3)(b)**

Professional qualifications

1219 Appropriate qualifications

- (1) A person holds an appropriate qualification for the purposes of this Chapter if and only if—
- (a) he holds a recognised professional qualification obtained in the United Kingdom,
 - (b) immediately before the commencement of this Chapter, he—
 - (i) held an appropriate qualification for the purposes of Part 2 of the Companies Act 1989 (c. 40) (eligibility for appointment as company auditor) by virtue of section 31(1)(a) or (c) of that Act, or
 - (ii) was treated as holding an appropriate qualification for those purposes by virtue of section 31(2), (3) or (4) of that Act,
 - (c) immediately before the commencement of this Chapter, he—
 - (i) held an appropriate qualification for the purposes of Part III of the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I. 5)) by virtue of Article 34(1)(a) or (c) of that Order, or
 - (ii) was treated as holding an appropriate qualification for those purposes by virtue of Article 34(2), (3) or (4) of that Order,
 - (d) he is within subsection (2),^{F13} or]
 - (e) ^{F14}

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- (f) subject to any direction under section 1221(5), he is regarded for the purposes of this Chapter as holding an approved [^{F15}third country] qualification.
- (2) A person is within this subsection if—
- (a) before 1st January 1990, he began a course of study or practical training leading to a professional qualification in accountancy offered by a body established in the United Kingdom,
 - (b) he obtained that qualification on or after 1st January 1990 and before 1st January 1996, and
 - (c) the Secretary of State [^{F16}approved his qualification before 1st October 2018] as an appropriate qualification for the purposes of this Chapter.

^{F17}(3)

Textual Amendments

- F13** Word in s. 1219(1) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 5\(a\)](#)
- F14** S. 1219(1)(e) omitted (6.4.2008) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 5\(b\)](#)
- F15** Words in s. 1219(1)(f) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 5\(c\)](#)
- F16** Words in s. 1219(2)(c) substituted (1.5.2017) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), [regs. 1\(2\)](#), [13\(4\)\(a\)](#)
- F17** S. 1219(3) omitted (1.10.2018) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), [regs. 1\(3\)](#), [13\(4\)\(b\)](#)

1220 Qualifying bodies and recognised professional qualifications

- (1) In this Part a “qualifying body” means a body established in the United Kingdom (whether a body corporate or an unincorporated association) which offers a professional qualification in accountancy.
- (2) In this Part references to the rules of a qualifying body are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of this Part.

This includes, so far as so relevant, rules relating to—

- (a) admission to or expulsion from a course of study leading to a qualification,
 - (b) the award or deprivation of a qualification, or
 - (c) the approval of a person for the purposes of giving practical training or the withdrawal of such approval.
- (3) Schedule 11 has effect with respect to the recognition for the purposes of this Part of a professional qualification offered by a qualifying body.

1221 Approval of [^{F18}third country] qualifications

- (1) The Secretary of State may declare that the following are to be regarded for the purposes of this Chapter as holding an approved [^{F18}third country] qualification—
 - (a) persons who are qualified to audit accounts under the law of a specified [^{F19}third country], or

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- (b) persons who hold a specified professional qualification in accountancy obtained in a specified [^{F19}third country] .
- [^{F20}(1A) A declaration under subsection (1)(a) or (b) must contain provision to the effect that a person is not to be regarded as holding an approved third country qualification for the purposes of this Chapter unless the person—
- (a) already holds a professional qualification which covers all the subjects which are covered by a recognised professional qualification and which are subjects of which knowledge is essential for the pursuit of the profession of statutory auditor, or
 - (b) holds a professional qualification which does not cover all those subjects and has met whichever of the requirements of subsection (1B) is specified in the declaration.
- (1B) The declaration must specify that the condition in subsection (1A)(b) is satisfied in one of the following ways—
- (a) only by passing an aptitude test in accordance with subsection (7A),
 - (b) only by completing an adaptation period in accordance with subsections (7C) and (7D), or
 - (c) either by passing an aptitude test in accordance with subsection (7A) or by completing an adaptation period in accordance with subsections (7C) and (7D), according to the choice of the person.]

(2) A declaration under subsection (1)(b) may be expressed to be subject to the satisfaction of any specified requirement or requirements.

(3) The Secretary of State may make a declaration under subsection (1) only if he is satisfied that—

 - (a) in the case of a declaration under subsection (1)(a), the fact that the persons in question are qualified to audit accounts under the law of the specified third country, [^{F21}taken with any requirement or requirements to be specified under subsection (1A),] or
 - (b) in the case of a declaration under subsection (1)(b), the specified professional qualification taken with any requirement or requirements to be specified under [^{F22}subsections (1A) or (2)] ,

affords an assurance of professional competence equivalent to that afforded by a recognised professional qualification.

(4) The Secretary of State may make a declaration under subsection (1) only if he is satisfied that the treatment that the persons who are the subject of the declaration will receive as a result of it is comparable to the treatment which is, or is likely to be, afforded in the specified [^{F19}third country] or a part of it to—

 - (a) in the case of a declaration under subsection (1)(a), some or all persons who are eligible to be appointed as a statutory auditor, and
 - (b) in the case of a declaration under subsection (1)(b), some or all persons who hold a corresponding recognised professional qualification.

(5) The Secretary of State may direct that persons holding an approved [^{F18}third country] qualification are not to be treated as holding an appropriate qualification for the purposes of this Chapter unless they hold such additional educational qualifications as the Secretary of State may specify for the purpose of ensuring that such persons have an adequate knowledge of the law and practice in the United Kingdom relevant to the audit of accounts.

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- (6) The Secretary of State may give different directions in relation to different approved [^{F18}third country] qualifications.
- (7) The Secretary of State may, if he thinks fit, having regard to the considerations mentioned in subsections (3) and (4), withdraw a declaration under subsection (1) in relation to—
- (a) persons becoming qualified to audit accounts under the law of the specified [^{F19}third country] after such date as he may specify, or
 - (b) persons obtaining the specified professional qualification after such date as he may specify.
- [^{F23}(7A) An aptitude test required for the purposes of subsection [^{F24}(1B)] —
- (a) must test the person's knowledge of subjects—
 - (i) that are covered by a recognised professional qualification,
 - (ii) that are not covered by the professional qualification already held by the person, and
 - (iii) the knowledge of which is essential for the pursuit of the profession of statutory auditor;
 - (b) may test the person's knowledge of rules of professional conduct;
 - (c) must not test the person's knowledge of any other matters.
- [^{F25}(7B)]
- [^{F26}(7C) An adaptation period is a period, not exceeding three years, in which the person (“the applicant”) pursues the profession of statutory auditor under the supervision of another person who holds an appropriate qualification, subject to an assessment (“the ability assessment”) of the applicant’s ability to pursue the profession of statutory auditor in the United Kingdom.
- (7D) The adaptation period must be completed, and the ability assessment must be carried out, in accordance with the rules and practices of a recognised supervisory body (see paragraph 7A of Schedule 10).]
- (8) The Secretary of State may, if he thinks fit, having regard to the considerations mentioned in subsections (3) and (4), vary or revoke a requirement specified under subsection (2) from such date as he may specify.
- (9) [^{F27}]

Textual Amendments

- F18** Words in s. 1221 substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 6\(2\)](#)
- F19** Words in s. 1221(1)(a)(b)(3)(a)(4)(7)(a) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 6\(3\)](#)
- F20** S. 1221(1A)(1B) substituted for s. 1221(1A) (6.4.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 1 para. 21\(a\)](#) (with [reg. 2\(6\)\(7\)](#))
- F21** Words in s. 1221(3)(a) inserted (6.4.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 1 para. 21\(b\)\(i\)](#) (with [reg. 2\(6\)\(7\)](#))
- F22** Words in s. 1221(3)(b) substituted (6.4.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 1 para. 21\(b\)\(ii\)](#) (with [reg. 2\(6\)\(7\)](#))
- F23** S. 1221(7A)(7B) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 6\(5\)](#)

Status: Point in time view as at 01/01/2021.

Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Chapter 2. (See end of Document for details)

- F24** Word in s. 1221(7A) substituted (6.4.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 1 para. 21(c)** (with reg. 2(6)(7))
- F25** S. 1221(7B) omitted (6.4.2018) by virtue of [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 1 para. 21(d)** (with reg. 2(6)(7))
- F26** S. 1221(7C)(7D) inserted (6.4.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 1 para. 21(e)** (with reg. 2(6)(7))
- F27** S. 1221(9) omitted (6.4.2008) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 6(6)**

1222 Eligibility of individuals retaining only 1967 Act authorisation

- (1) A person whose only appropriate qualification is based on his retention of an authorisation originally granted by the Board of Trade or the Secretary of State under section 13(1) of the Companies Act 1967 (c. 81) is eligible only for appointment as auditor of an unquoted company.
- (2) A company is “unquoted” if, at the time of the person's appointment, neither the company, nor any parent undertaking of which it is a subsidiary undertaking, is a quoted company within the meaning of section 385(2).
- (3) References to a person eligible for appointment as a statutory auditor by virtue of this Part in enactments relating to eligibility for appointment as auditor of a person other than a company do not include a person to whom this section applies.

Information

1223 Matters to be notified to the Secretary of State

- (1) The Secretary of State may require a recognised supervisory body or a recognised qualifying body—
 - (a) to notify him immediately of the occurrence of such events as he may specify in writing and to give him such information in respect of those events as is so specified;
 - (b) to give him, at such times or in respect of such periods as he may specify in writing, such information as is so specified.
- (2) The notices and information required to be given must be such as the Secretary of State may reasonably require for the exercise of his functions under this Part.
- (3) The Secretary of State may require information given under this section to be given in a specified form or verified in a specified manner.
- (4) Any notice or information required to be given under this section must be given in writing unless the Secretary of State specifies or approves some other manner.

[^{F28}1223] Matters to be notified to the competent authority

- (1) The competent authority may require a recognised supervisory body—
 - (a) to notify the competent authority immediately of the occurrence of such events as the competent authority may specify in writing and to give the competent authority such information in respect of those events as is so specified;

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- (b) to give the competent authority, at such times or in respect of such periods as the competent authority may specify in writing, such information as is so specified.
- (2) The notices and information required to be given must be such as the competent authority may reasonably require for the exercise of its functions under this Part, the Statutory Auditors and Third Country Auditors Regulations 2016 or the Audit Regulation .
- (3) The competent authority may require information given under this section to be given in a specified form or verified in a specified manner.
- (4) Any notice or information required to be given under this section must be given in writing unless the competent authority specifies or approves some other manner.]

Textual Amendments

F28 S. 1223ZA inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 31**

[^{F29}1223A Notification of matters relevant to [^{F30}approved third country competent authorities]

- [^{F31}(1) A recognised supervisory body must notify the Secretary of State—
- (a) if a notifiable person becomes eligible for appointment as a statutory auditor, unless the notifiable person is an individual;
 - (b) if a notifiable person’s eligibility for appointment as a statutory auditor is withdrawn;
 - (c) of the reasons for any such withdrawal.]
- (2) A recognised supervisory body must also notify the Secretary of State of any reasonable grounds it has for suspecting that—
- (a) a person has contravened the law of the United Kingdom, or [^{F32}an equivalent third country or transitional third country], and
 - (b) the act or omission constituting that contravention took place on the territory of an [^{F33}equivalent third country or transitional third country].
- (3) In this section “ notifiable person ” means a member of the recognised supervisory body in question—
- (a) who is also [^{F34}a third country auditor that has been approved by an approved third country competent authority]; and
 - (b) in respect of whom the [^{F35}approved third country] competent authority is not the recognised supervisory body itself.]

Textual Amendments

F29 S. 1223A inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 7(1)** (with **reg. 7(2)** (as amended by [S.I. 2008/499](#), **reg. 2(3)**))

F30 Words in s. 1223A heading substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), **regs. 2, 12(a)**; 2020 c. 1, **Sch. 5 para. 1(1)**

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- F31** S. 1223A(1) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 32(2)**
- F32** Words in s. 1223A(2)(a) substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **12(b)(i)**; 2020 c. 1, Sch. 5 para. 1(1)
- F33** Words in s. 1223A(2)(b) substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **12(b)(ii)**; 2020 c. 1, Sch. 5 para. 1(1)
- F34** Words in s. 1223A(3)(a) substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **12(c)(i)**; 2020 c. 1, Sch. 5 para. 1(1)
- F35** Words in s. 1223A(3)(b) substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **12(c)(ii)**; 2020 c. 1, Sch. 5 para. 1(1)

1224 The Secretary of State's power to call for information

- (1) The Secretary of State may by notice in writing require a person within subsection (2) to give him such information as he may reasonably require for the exercise of his functions under this Part.
- (2) The persons within this subsection are—
 - (a) any recognised supervisory body,
 - (b) any recognised qualifying body, and
 - (c) any person eligible for appointment as a statutory auditor by virtue of this Chapter.
- (3) The Secretary of State may require that any information which he requires under this section is to be given within such reasonable time and verified in such manner as he may specify.

[^{F36}1224ZA] The competent authority's power to call for information

- (1) The competent authority may by notice in writing require any recognised supervisory body to give the competent authority such information as it may reasonably require for the exercise of its functions under this Part, the Statutory Auditors and Third Country Auditors Regulations 2016 or the Audit Regulation.
- (2) The competent authority may require that any information which it requires under this section is to be given within such reasonable time and verified in such manner as it may specify.]

Textual Amendments

- F36** S. 1224ZA inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 33**

[^{F37}1224A] Restrictions on disclosure

- (1) This section applies to information (in whatever form)—
 - (a) relating to the private affairs of an individual, or

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- (b) relating to any particular business,
that is provided to a body to which this section applies in connection with the exercise of its functions under this Part [^{F38}sections 522 to 524 (notification to appropriate audit authority of resignation or removal of auditor), the Statutory Auditors and Third Country Auditors Regulations 2016 or the Audit Regulation]
- (2) This section applies to—
- (a) a recognised supervisory body,
 - (b) a recognised qualifying body,
 - [^{F39}(c) the competent authority,]
 - (d) the Independent Supervisor,
 - (e) the Secretary of State, and
 - (f) a body designated by the Secretary of State under section 1252 (delegation of the Secretary of State's functions).
- (3) No such information may, during the lifetime of the individual or so long as the business continues to be carried on, be disclosed without the consent of that individual or (as the case may be) the person for the time being carrying on that business.
- (4) Subsection (3) does not apply to any disclosure of information that—
- (a) is made for the purpose of facilitating the carrying out by the body of any of its functions,
 - (b) is made to a person specified in Part 1 of Schedule 11A,
 - (c) is of a description specified in Part 2 of that Schedule, or
 - (d) is made in accordance with Part 3 of that Schedule.
- ^{F40}(5)
- (6) This section does not prohibit the disclosure of information if the information is or has been available to the public from any other source.
- (7) Nothing in this section authorises the making of a disclosure in contravention of [^{F41}the data protection legislation].

Textual Amendments

- F37** Ss. 1224A, 1224B inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 8(1)** (with **reg. 8(3)**)
- F38** Words in s. 1224A(1) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), **reg. 1(1)(a)**, **Sch. 3 para. 34(2)**
- F39** S. 1224A(2)(c) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), **reg. 1(1)(a)**, **Sch. 3 para. 34(3)**
- F40** S. 1224A(5) omitted (31.12.2020) by virtue of [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), **regs. 2, 13**; 2020 c. 1, Sch. 5 para. 1(1)
- F41** Words in s. 1224A(7) substituted (25.5.2018) by [Data Protection Act 2018 \(c. 12\)](#), s. 212(1), **Sch. 19 para. 125** (with **ss. 117, 209, 210**); S.I. 2018/625, **reg. 2(1)(g)**

1224B Offence of disclosure in contravention of section 1224A

- (1) A person who discloses information in contravention of section 1224A (restrictions on disclosure) is guilty of an offence, unless—

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- (a) he did not know, and had no reason to suspect, that the information had been provided as mentioned in section 1224A(1), or
 - (b) he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (2) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);
 - (b) on summary conviction—
 - (i) in Scotland, to imprisonment for a term not exceeding 12 months or to a fine not exceeding the statutory maximum, or to both;
 - (ii) in England and Wales or Northern Ireland, to imprisonment for a term not exceeding three months or to a fine not exceeding the statutory maximum, or to both.]

Textual Amendments

F37 Ss. 1224A, 1224B inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 8\(1\)](#) (with [reg. 8\(3\)](#))

Enforcement

[^{F42}1225Enforcement: general

- (1) This section applies if at any time it appears to the Secretary of State—
- (a) in the case of a recognised supervisory body, that any requirement of Part 2 or 3 of Schedule 10 is not satisfied,
 - (b) in the case of a recognised professional qualification offered by a recognised qualifying body, that any requirement of Part 2 of Schedule 11 is not satisfied,
^{F43} ...
 - (c) that a recognised supervisory body or a recognised qualifying body has not complied with an obligation imposed on it by or by virtue of this Part (other than an obligation to pay a financial penalty under section 1225D) [^{F44}or
 - (d) that a recognised supervisory body has not complied with an obligation imposed on it by or by virtue of the Statutory Auditors and Third Country Auditors Regulations 2016.]
- (2) The Secretary of State may do any one or more of the following—
- (a) give a direction to the body under section 1225A;
 - (b) make an application to the court in respect of the body under section 1225C;
 - (c) impose a financial penalty on the body under section 1225D.
- (3) Subsection (2) is without prejudice to the powers of the Secretary of State under paragraph 3 of Schedule 10 and paragraph 3 of Schedule 11 (revocation of recognition orders) [^{F45}or the powers of the competent authority under regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016.]]

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Textual Amendments

- F42** Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4
- F43** Word in s. 1225(1)(b) omitted (17.6.2016) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 35(2)(a)**
- F44** S. 1225(1)(d) and word inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 35(2)(b)**
- F45** Words in s. 1225(3) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 35(3)**

[^{F46}1225A] Directions: general

- (1) A direction under this section is one directing a body to take such steps as the Secretary of State considers will—
 - (a) secure that the requirement in question is satisfied or the obligation in question is complied with, or
 - (b) mitigate the effect, or prevent the recurrence, of the failure to satisfy the requirement or comply with the obligation.
- (2) A direction under this section—
 - (a) may only require a body to take steps which it has power to take;
 - (b) may require a body to refrain from taking a particular course of action.
- (3) The power to give a direction under this section is subject to any provision made by or under any other enactment.
- (4) The Secretary of State may take such steps as the Secretary of State considers appropriate to monitor the extent to which a direction under this section is being, or has been, complied with.

Textual Amendments

- F46** Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

1225B Directions: supplementary

- (1) Before giving a direction to a body under section 1225A, the Secretary of State must give the body a notice (a “notice of proposed direction”) accompanied by a copy of the proposed direction.
- (2) A notice of proposed direction must—
 - (a) state that the Secretary of State proposes to give the body a direction in the form of the accompanying draft,
 - (b) identify the requirement or obligation in question and state why it appears to the Secretary of State that the requirement is not satisfied or the obligation has not been complied with,
 - (c) specify a period within which the body may make written representations with respect to the proposal.

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- (3) The period specified under subsection (2)(c)—
 - (a) must begin with the date on which the notice of proposed direction is given to the body, and
 - (b) must not be less than 14 days.
- (4) Written representations made by the body within the period specified under subsection (2)(c) must be considered by the Secretary of State.
- (5) After considering any such representations or, in their absence, on the expiry of the period specified under subsection (2)(c), the Secretary of State must decide whether to give the body the proposed direction.
- (6) The Secretary of State must give notice of the decision (a “direction decision notice”) to the body.
- (7) Where the Secretary of State decides to give the proposed direction, the direction decision notice must—
 - (a) contain the direction,
 - (b) state the time at which the direction is to take effect, and
 - (c) specify the Secretary of State's reasons for the decision to give the direction.
- (8) Where the Secretary of State decides to give the proposed direction, the Secretary of State must publish the direction decision notice in such manner as the Secretary of State considers appropriate for bringing the direction to the attention of persons likely to be affected.
- (9) The Secretary of State may revoke a direction given to a body under section 1225A and, where doing so, must—
 - (a) give the body notice of the revocation, and
 - (b) publish the notice in the same manner as the direction decision notice was published.

Textual Amendments

F46 Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

1225C Compliance orders

- (1) If on an application under this section in respect of a body, the court decides that a requirement is not satisfied or an obligation has not been complied with, the court may, subject to subsection (2), order the body to take such steps as it considers will secure that the requirement is satisfied or the obligation is complied with.
- (2) Where the obligation is an obligation to comply with a direction under section 1225A, the court may not order compliance with the direction unless it also decides that—
 - (a) the requirement in respect of which the direction was given is not satisfied, or
 - (b) the obligation in respect of which the direction was given has not been complied with.
- (3) In this section, “the court” means the High Court or, in Scotland, the Court of Session.

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Textual Amendments

F46 Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

1225D Financial penalties: general

- (1) A financial penalty imposed on a body under this section is a financial penalty of such amount as the Secretary of State considers appropriate, subject to subsection (2).
- (2) In deciding what amount is appropriate the Secretary of State—
 - (a) must have regard to the nature of the requirement which is not satisfied or the obligation which has not been complied with; and
 - (b) must not take into account the Secretary of State's costs in discharging functions under this Part.
- (3) A financial penalty under this section is payable to the Secretary of State.
- (4) In sections 1225E to 1225G, references to a penalty are to a financial penalty under this section.

Textual Amendments

F46 Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

1225E Financial penalties: supplementary

- (1) Before imposing a penalty on a body, the Secretary of State must give the body a notice (a “notice of proposed penalty”)—
 - (a) stating that the Secretary of State proposes to impose a penalty and the amount of the penalty proposed,
 - (b) identifying the requirement or obligation in question and stating why it appears to the Secretary of State that the requirement is not satisfied or the obligation has not been complied with, and
 - (c) specifying a period within which the body may make written representations with respect to the proposed penalty.
- (2) The period specified under subsection (1)(c)—
 - (a) must begin with the date on which the notice of proposed penalty is given to the body, and
 - (b) must not be less than 21 days.
- (3) Written representations made by the body before the end of the period specified under subsection (1)(c) must be considered by the Secretary of State.
- (4) After considering any such representations or, in their absence, on the expiry of the period specified under subsection (1)(c), the Secretary of State must decide—
 - (a) whether to impose a penalty, and
 - (b) where the Secretary of State decides to do so, whether to reduce the proposed amount of the penalty.

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- (5) The Secretary of State must give notice of the decision (a “penalty decision notice”) to the body.
- (6) Where the Secretary of State decides to impose a penalty, the penalty decision notice must—
 - (a) state that the Secretary of State has imposed a penalty on the body and its amount,
 - (b) identify the requirement or obligation in question and state—
 - (i) why it appears to the Secretary of State that the requirement is not satisfied or the obligation has not been complied with, or
 - (ii) where, by that time, the requirement is satisfied or the obligation has been complied with, why it appeared to the Secretary of State when giving the notice of proposed penalty that the requirement was not satisfied or the obligation had not been complied with, and
 - (c) specify a time by which the penalty is required to be paid.
- (7) The time specified under subsection (6)(c) must be at least 3 months after the date on which the penalty decision notice is given to the body.
- (8) Where the Secretary of State decides to impose a penalty, the Secretary of State must publish the penalty decision notice and must do so in such manner as the Secretary of State considers appropriate for bringing the penalty to the attention of persons likely to be affected.
- (9) The Secretary of State may rescind a penalty imposed on a body under section 1225D and, where doing so, must—
 - (a) give the body notice of the rescission, and
 - (b) publish the notice in the same manner as the penalty decision notice was published.

Textual Amendments

F46 Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

1225F Appeals against financial penalties

- (1) A body on which a penalty is imposed may appeal to the court on one or more of the appeal grounds.
- (2) The appeal grounds are—
 - (a) that, before the giving of the notice under section 1225E(1), the requirement in respect of which the penalty was imposed was satisfied or the obligation in respect of which the penalty was imposed had been complied with;
 - (b) that, where the penalty was imposed in respect of a failure to comply with a direction under section 1225A, before the giving of the notice under section 1225B(6), the requirement in respect of which the direction was given was satisfied or the obligation in respect of which the direction was given had been complied with;

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- (c) that any of the requirements of section 1225E have not been complied with in relation to the imposition of the penalty and the interests of the body have been substantially prejudiced by the non-compliance;
 - (d) that the amount of the penalty is unreasonable;
 - (e) that it was unreasonable of the Secretary of State to require the penalty imposed to be paid by the time specified in the notice under section 1225E(5).
- (3) An appeal under subsection (1) must be made within the period of 3 months beginning with the day on which the notice under section 1225E(5) is given to the body in respect of the penalty.
- (4) On any such appeal, where the court considers it appropriate to do so in all the circumstances of the case and is satisfied of one or more of the appeal grounds, the court may—
- (a) quash the penalty,
 - (b) substitute a penalty of such lesser amount as the court considers appropriate, or
 - (c) in the case of the appeal ground in subsection (2)(e), substitute a later time for the time specified in the notice under section 1225E(5).
- (5) Where the court substitutes a penalty of a lesser amount, it may require the payment of interest on the substituted penalty, accruing from the time specified in the notice under section 1225E(5) or such later time as the court considers just and equitable.
- (6) Where the court substitutes a later time for the time specified in the notice under section 1225E(5), it may require the payment of interest on the penalty, accruing from the substituted time or such later time as the court considers just and equitable.
- (7) Where the court dismisses the appeal, it may require the payment of interest on the penalty, accruing from the time specified in the notice under section 1225E(5).
- (8) Where the court requires the payment of interest under this section, the interest is payable at such rate as the court considers just and equitable.
- (9) Except as provided by this section, the validity of a penalty is not to be questioned by any legal proceedings whatever.
- (10) In this section “ the court ” means the High Court or, in Scotland, the Court of Session.

Textual Amendments

F46 Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

1225G Recovery of financial penalties

- (1) If the whole or any part of a penalty is not paid by the time by which it is required to be paid, the unpaid balance from time to time carries interest at the rate for the time being specified in section 17 of the Judgments Act 1838 (c 110) (unless a different rate is specified by the court under section 1225F(8)).
- (2) If an appeal is made under section 1225F in relation to a penalty, the penalty is not required to be paid until the appeal has been determined or withdrawn.

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- (3) Subsection (2) does not prevent the court from specifying that interest is to accrue from an earlier date under section 1225F.
- (4) Where a penalty, or any portion of it, has not been paid by the time when it is required to be paid and—
- (a) no appeal relating to the penalty has been made under section 1225F during the period within which such an appeal can be made, or
 - (b) an appeal has been made under that section and has been determined or withdrawn,
- the Secretary of State may recover from the body, as a debt due to the Secretary of State, any of the penalty and any interest which has not been paid.]

Textual Amendments

F46 Ss. 1225-1225G substituted (2.7.2012) for s. 1225 by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 4

Status:

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Changes to legislation:

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