

<b>Title: The Registrar of Companies and Applications for Striking Off (Amendment) Regulations 2016; The Companies (Address of Registered Office) Regulations 2016 and The Companies and Limited Liability Partnerships (Filing Requirements) Regulations 2016</b>	Post Implementation Review
<b>PIR No:</b> BEIS008(PIR)-21-BF	<b>Date:</b> 29/03/2021
<b>Original IA/RPC No:</b> RPC15-BIS-3059 (2); BIS 017(V) -16 BE	<b>Type of regulation:</b> Domestic
<b>Lead department or agency:</b> Department for Business, Energy and industrial Strategy	<b>Type of review:</b> Statutory
<b>Other departments or agencies:</b> Companies House	<b>Date measure came into force:</b> 06/04/2016 and 30/06/2016
<b>Contact for enquiries:</b> Neil.Golborne@beis.gov.uk	<b>Recommendation:</b> Keep
	<b>RPC Opinion:</b> Not applicable

**1. What were the policy objectives of the measure? (Maximum 5 lines)**

The aims of the regulation were:

- The “striking off” regulations made it more straightforward for persons, who had been appointed as company directors without their consent, to have their names removed from the company register by Companies House.
- The “registered office” regulations allowed a third party to object to the registrar about a company’s or LLP’s use of an address as a registered office.
- The “filing requirements” regulations simplified filing requirements.

A common theme of the regulations is to improve the integrity of the Register. Recent research suggests that business users of Company House data place a high value on the data: between £1,500 and £2,600 a year. And that the use of Companies House data delivered significant public benefits e.g., to law enforcement. Increasing the integrity of the Register brings benefits to users, often businesses, as well as costs to the providers of information.

**2. What evidence has informed the PIR? (Maximum 5 lines)**

Published data and unpublished management information provided by Companies House.

**3. To what extent have the policy objectives been achieved? (Maximum 5 lines)**

The objective of improving the quality of the information on the Register remains relevant and has been met through the *striking off* and *registered office* regulations. That said, these regulations have not prevented some fraudulent companies from reappointing falsely appointed directors or from resubmitting that the disputed address as their address. The Government is consulting on changes to the Registrar’s powers to prevent companies from doing this. The de-regulatory impact of the *filing requirements* regulations was less than anticipated.

Sign-off for Post Implementation Review: Chief economist/Head of Analysis and Minister

***I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

A handwritten signature in blue ink, appearing to read "Martin Cole". The signature is fluid and cursive, with a long horizontal stroke at the end.

Signed:

Date: 29/03/2021

## Further information sheet

Please provide additional evidence in subsequent sheets, as required.

### **4. What were the original assumptions?(Maximum 5 lines)**

The three Impact Assessments underpinning the regulations made a range of assumptions about the number of entities affected and the costs and benefits that might arise. The striking off and registered office regulations under-estimated the impact of the measures with many more applicants for relief than originally anticipated. The filing requirements regulations were less deregulatory than anticipated as, on average, the time required to complete a confirmation statement was only slightly less than the annual return which it replaced. That said, significant numbers of companies have experienced the time savings anticipated in the Impact Assessment.

### **5. Were there any unintended consequences? (Maximum 5 lines)**

One unintended consequence of the registered office regulations has been that service providers use the process to move registered offices when relationships with clients end or if clients do not pay their bills. Whilst it was not what the regime was intended for, the service providers use of the regime for this purpose is legitimate.

### **6. Has the evidence identified any opportunities for reducing the burden on business? (Maximum 5 lines)**

No.

### **7. For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business? (Maximum 5 lines)**

Not relevant.

## **Post Implementation Review covering:**

**The Registrar of Companies and Applications for Striking Off (Amendment) Regulations 2016**

**The Companies (Address of Registered Office) Regulations 2016, and**

**The Companies and Limited Liability Partnerships (Filing Requirements) Regulations 2016**

### **Scope of the Review**

1. The purpose of the post-implementation review (PIR) is to:
  - a. Set out the objectives of the Regulations.
  - b. Review whether the Regulations have achieved their original objectives and if those objectives remain appropriate; and
  - c. To assess whether the Regulations are still appropriate and remains the best option for achieving those objectives.
2. All three regulations are de minimis, i.e., they fall below the threshold for RPC scrutiny, but there is still a statutory obligation to review these within 5 years of the Regulations coming into force (during 2016). They have been brought together as they all relate to changes to filing requirements for different entities at Companies House, and they have a common over-arching objective which is to improve the quality and usefulness of the Companies House register.

### **Background**

3. The three pieces of legislation covered the following:
  - a. The Registrar of Companies and Applications for Striking Off (Amendment) Regulations 2016 (hereafter referred to as the “striking off” regulations)<sup>1</sup> made it more straightforward for persons, who had been appointed as company directors without their consent, to have their names removed from the company register by Companies House.
  - b. The Companies (Address of Registered Office) Regulations 2016 (hereafter referred to as the “registered office” regulations)<sup>2</sup> allowed a third party to object to the registrar about a company’s or LLP’s use of an address as a registered office.
  - c. The Companies and Limited Liability Partnerships (Filing Requirements) Regulations 2016 (hereafter referred to as the “filing requirements” regulations)<sup>3</sup> simplified filing requirements.

Taking each in turn.

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<sup>1</sup> <https://www.legislation.gov.uk/ukSI/2016/441/contents/made>

<sup>2</sup> <https://www.legislation.gov.uk/ukSI/2016/423/contents/made>

<sup>3</sup> <https://www.legislation.gov.uk/ukSI/2016/599/made>

### *Striking off regulations*

4. The Companies Act 2006 requires all UK companies to have at least one director. Companies must notify the registrar within 14 days of a director's appointment. Details of the company's directors are made publicly available on the companies register held by Companies House.
5. In most cases, directors are appointed with their knowledge and consent. However, there are a small number of cases where companies wrongly appoint people as directors and their name appears on the public register as a company director. It is not in the interests of a person to be identified as a director of a company without having consented to act as such. It also has the potential to mislead those seeking to do business with such a company.
6. Prior to the 2016 regulations, a person could apply to the Companies House registrar to have their name taken off the public register as a director of the company on the grounds that they were falsely appointed. However, under that procedure the Registrar of Companies and Applications for Striking Off Regulations 2009 allowed companies to stop an application merely by objecting, without having to provide any evidence to support their objection.
7. In October 2013, the Government consulted on measures to deal with cases where a person alleges that they have been appointed as a director of a company without their consent. The consultation asked for views on whether companies should be required to provide evidence of a director's appointment in the event of a dispute. 125 responses were received to this question. 86% of respondents agreed that companies should be required to provide evidence, whilst only 9% disagreed<sup>4</sup>.
8. The aim of the 2016 regulations was to provide an expedient process which will enable the registrar, on application, to remove details of a director's appointment from the public register where there is no evidence that the person consented to be a director.

### *Registered office regulations*

9. All UK companies and limited liability partnerships (LLPs) must have a registered office within the UK to which all communications and notices can be addressed. The registered office can be a business address, the address of the company's accountants, or any other address the company chooses, including a residential address.
10. Prior to 2016, the registrar of companies received complaints that the address that some companies use as their registered office is the address of another business or private individual with whom they had no connection, or an address which they are not authorised to use. This had undesirable consequences for the private individuals or businesses affected – from receiving unsolicited correspondence intended for that company to receiving visits from bailiffs. While the number of complaints was small against the overall size of the public register, the impact on those affected could be significant.
11. Until then, the Companies Act 2006 only allowed for the registered office address to be changed voluntarily by the company itself. The 2016 regulations allowed a third party to object to the registrar about a company's or LLP's use of an address as a registered

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<sup>4</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/304946/bis-14-635-company-filing-requirements-response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/304946/bis-14-635-company-filing-requirements-response.pdf)

office. If the company or LLP fails to provide satisfactory evidence that it is authorised to use the address, the registered office address will be changed to an alternative address (a PO Box at Companies House).

12. In October 2013, the Government consulted on measures to deal with cases where a company uses an unauthorised registered office address. The consultation asked for views on whether companies should be required to have a demonstrable link to their registered office address. 133 responses were received to this question. 91% of respondents agreed that companies should be required to have a link to the registered office, whilst only 9% disagreed.

### *Filing requirements regulations*

13. The Companies Act 2006 requires companies to file information on a public register held by the registrar of companies at Companies House. This information ranges from basic information, such as the address of a company's registered office, through to details about ownership and financial information. The aim of these disclosures is to allow anyone considering working or doing business with a company to obtain information about the business and make more informed decisions about its financial health.
14. Responses to the Company and Commercial Law Red Tape Challenge indicated that there were several areas where filing requirements could be simplified and where it could be made easier to update and amend the public register. Some of these were included in the Companies and Limited Liability Partnerships (Filing Requirements) Regulations 2015 which were reviewed in a previous PIR<sup>5</sup>.
15. This PIR covers a set of measures introduced in 2016:
  - a. *Annual filings*: The requirement for LLPs, Societas Europaea (SEs) and unregistered companies (UCs) to submit an annual return to Companies House on a specified date (regardless of whether they have made any changes to their information within the year) was replaced with a requirement to 'check and confirm' their information on the public register at least once in a 12-month period and provide Companies House with an annual 'confirmation statement' stating the information is correct or providing any necessary amendments.
  - b. *LLP Registers*: Prior to 2016 all LLPs were required to hold certain registers (of members, of members' residential addresses, and the register of people with significant control) at either their registered office or an alternative specified location. This requirement was removed if the information is instead on the public register at Companies House.
  - c. *Statement of capital*: The regulation removed the requirement for UCs and SEs to list the amount unpaid and paid up on each share and replaced it with a requirement to show the aggregate amount unpaid.
  - d. *Date of birth*. To provide protection against identity theft, the day element of the date of birth of a person with significant control (PSC) in an LLP is no longer shown on the public register (the most common way people and organisations access filed information about LLPs). LLPs still need to provide the full date of birth to Companies House. The full date of birth continues to be available upon

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<sup>5</sup> [https://www.legislation.gov.uk/uksi/2015/1695/pdfs/ukxi0d\\_20151695\\_en.pdf](https://www.legislation.gov.uk/uksi/2015/1695/pdfs/ukxi0d_20151695_en.pdf)

request to credit reference agencies and public enforcement bodies and by inspecting an LLP's PSC register (which will be accessible free of charge).

## Objective of the Regulations

16. The objectives of the regulations were set out in the Impact Assessments (IAs):

- a. The aim of the strike off regulations is to enable the Registrar to expediently remove details of a director's appointment from the public register where there is no evidence that the person consented to be a director. The policy was intended to improve the integrity of the public register.
- b. Under the registered office regulations, the aim was to provide an expedient process for the Registrar to change a company's registered office when a dispute is raised with them and they consider that the company is not authorised to use the address. Although not stated, this would also improve the quality of data on the Register.
- c. For the filing requirement regulations, the objective was to reduce burdens while also ensuring that the information on the public register of companies is as accurate as possible. The aim was to remove duplication and make it simpler for corporate entities, especially those that are small, to file their statutory information with Companies House.

17. A common theme of the regulations is to improve the integrity of the Register. Recent research suggests that business users of Company House data place a high value on the data: between £1,500 and £2,600 a year. Users attributed the greatest value to the provision of financial information (55% of the value) and a further 41% to basic company information. Persons of Significant Control information accounted for 4% of the value. The research found that the use of Companies House data delivered significant public benefits e.g., to law enforcement<sup>6</sup>. Increasing the integrity of the Register therefore brings benefits to users, as well as costs to the providers of information.

18. The objective to improve the integrity of the Register is still relevant. For example, the Government consulted on reform of the Company Register in late 2020<sup>7</sup> and hopes to introduce further changes subject to Ministers and Parliament's views and when legislative time allows.

## Have the Regulations met their objectives?

### *Striking off regulations*

19. The IA<sup>8</sup> did not set out any monetised benefits from the regulations. But it qualitatively described the expected benefits. These included reducing harm related to:

- a. Nuisance/distress to individuals being held liable for prosecution for a company's actions, and
- b. Falsely appointed directors remaining on the register improving the quality of information available to users of the register. The IA expected that this should

<sup>6</sup> <https://www.gov.uk/government/publications/companies-house-data-valuing-the-user-benefits>

<sup>7</sup> <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-powers-of-the-registrar>

<sup>8</sup> <https://www.legislation.gov.uk/ukxi/2016/441/impacts>

have a positive impact on users' ability to make more fully informed economic decisions – e.g., about trading with, lending to, and investing in UK companies.

20. The IA provided data that showed there were between 500 and 600 cases a year where someone objected to being shown as a director of a company on the register. To provide a best estimate of compliance costs the IA used 566 cases a year, with 505 as a low estimate and 598 as a high estimate. The IA noted that when an individual objected to being registered as a director most complaints were legitimate. It cited internal Companies House data which showed that, under the then procedure, companies objected to a director's name being removed from the register approximately 20-25 times a year.
21. The IA estimated familiarisation costs for businesses that faced a dispute over whether a director was correctly appointed. It assumed that directors would need to spend 20 minutes familiarising themselves with Companies House guidance and the process. This resulted in familiarisation costs (2014 prices) of between £4,200 and £5,000 a year with a best estimate of £4,700 a year.
22. Under the regulations, on receipt of an objection, the Registrar writes to the company requesting satisfactory evidence that the person consented to act as a director of the company. If the company does not provide this evidence, the Registrar will remove the details of the person's appointment as a director from the register. The IA estimated, based on previous cases, that between 20 and 25 companies, with a best estimate of 23, would challenge the removal of a director. In which case, the IA assumed that a director would spend 3.75 hours gathering the evidence for the Registrar. The IA did not believe that companies would routinely seek costly, external legal advice when dealing with such disputes. Challenges resulted in additional costs (2014 prices) of between £1,900 and £2,300 a year with a best estimate of £2,200 a year. As the Registrar did not have the power to investigate cases before the regulations came into force it was not possible for the IA to determine the costs that arose to:
  - a. companies found by the Registrar to have appointed directors with their authorisation, and
  - b. companies who did not have approval to appoint directors.
23. The IA estimated that best estimate of costs to business were **£6,900 a year**. The equivalent annual net cost to business was £0.01m. The total net present value to business and society over a ten-year period was £ -0.06m. Companies House administration costs were expected to be minimal.
24. Since June 2019 Companies House has used an automated process to collect data on the number of cases. This process has also run alongside manual data collection processes. During 2020 there were just under 3600 requests<sup>9</sup> to be removed as a director, i.e., six times the estimate provided in the IA<sup>10</sup>. In 2019, there were just over 2700 requests to be removed as a director. Again, substantially higher than assumed in the IA. Between 1st January 2017 and 31<sup>st</sup> December 2020 there were 3259 requests to remove directors which were contested by the company and Companies House had to seek evidence that the person had consented to the director appointment.

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<sup>9</sup> Note the information in this paragraph and subsequent chart is derived from Companies House's management information and is unaudited. Therefore, it is subject to change and should be used for indicative purposes only. Our Official statistics are produced on a quarterly, bi-annual and annual basis and this information may be included in future releases of our statistics. Please refer to the website for Companies House official statistics using this link: <https://www.gov.uk/government/statistics?departments%5B%5D=companies-house>

<sup>10</sup> Persons can request a removal of their details from the register of Directors using the RP06 form.



25. The original IA therefore substantially under-estimated the number of contested cases. Numbers would have been hard to predict, possibly because of suppressed demand from those directors who were mis-appointed. Also, it could have been that by making the process easier it stimulated demand. In most of the contested cases directors had not consented to their appointment and therefore they were removed from the Register. Requests to remove directors' details were therefore legitimate.



26. There have been instances where directors have been fraudulently appointed to companies and affected individuals have applied to the Registrar to have their details removed, only to find that the offending company subsequently re-appoints them. The Government's proposals for legislative reform would close this loophole so that if the company attempts to reappoint that person (to any office within the company), evidence will need to be provided to prove that the person has consented to act in that capacity. In line with the intention for Companies House to proactively share more information with law enforcement, this is an example of a circumstance in which such sharing would be considered.

27. The Registrar's current powers were created at a time when paper filing was the norm. In the case of the Registrar's current powers, a company is given 28 days to raise an objection, or provide evidence, following an application for the removal of information. Stakeholders have raised concerns about this timescale, claiming it is too long and, in the meantime, people's details are shown on the register, potentially causing distress and harm. As the register and interactions with companies have become increasingly digital, the Government has proposed reducing this 28-day period. For all enquiries raised by the Registrar, our 2020 consultation on Registrar powers<sup>11</sup> proposed therefore a timescale of 14 days for a company to provide the appropriate evidence. In conjunction with this, the Government is considering whether it would be appropriate and proportionate to give the Registrar the ability to immediately remove disputed details whilst the response from the company is awaited. The consultation also set out proposals to widen the extent of the Registrars powers<sup>12</sup>.

<sup>11</sup> <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-powers-of-the-registrar>

<sup>12</sup> The narrow scope of existing powers has led to complaints from a range of stakeholders including members of the public. For example, the Registrar can remove fraudulent information about a company secretary on application. However, she is unable to remove false information about people with significant control under this section and instead, the individual must seek a court order for its removal.

28. Overall, the regulation has had the desired effect and substantially more people than anticipated have benefitted from being relieved of duties which they did not agree to perform. Further the remedy appears to be working as intended with few cases where directors claim that they were appointed without their permission, when in fact permission had been given. However, there have been cases where falsely appointed directors have been removed and have been subsequently reappointed by the company and there are concerns that the timescale for removing a falsely appointed director, 28 days, is unnecessarily long. It is likely that the compliance costs are higher than estimated in the IA, given the substantially larger number of cases. But equally the higher volume means that the unquantified benefits are also higher.

### *Registered office regulations*

29. The IA<sup>13</sup> did not set out any monetised benefits from the regulations. But it qualitatively described the expected benefits. These ranged from reducing harm related to:

- a. Receiving unsolicited correspondence intended for the company.
- b. Individuals or companies being associated with a negative credit rating or receiving visits from debt collectors or bailiffs.
- c. Negative affects arising from an individual's or a business's ability to borrow money (e.g., through loans, mortgages, overdrafts, and credit cards); the interest rates they are charged; the ability to open bank accounts; the ability to enter into contracts, higher insurance premiums and/or ability to get a job.

30. On proportionality grounds the IA did not attempt to identify individuals in the UK who have been affected by registered office disputes in the past (given the time and cost this would involve), and then gather evidence from them of the impact a dispute resolution procedure could have. It did however cite evidence from registered office providers, who believed that visits from debt collectors and bailiffs looking to collect debts/seize assets from companies, were the most problematic consequence of unauthorised registered office use.

31. The IA noted that only a small number of companies and LLPs are the subject of a complaint about their registered office each year – around 1,200.

32. The IA estimated costs for those businesses, subject to a dispute, in familiarising themselves with the new regulations. It used a range of estimates of between 1200 and 2300 disputes a year. And that a director would spend 20 minutes in familiarising themselves with the regulations. As a result, estimated annual familiarisation costs were estimated to be between £9,500 and £19,500 a year (2014 prices) with a best estimate of £14,500.

33. The IA also estimated the costs to businesses which arise when the Registrar writes to the company requesting satisfactory evidence that the company is authorised to use the address as their registered office. If the company does not provide this evidence, the Registrar would change the registered office to a default address. The regulations do not set out an exhaustive list of the evidence but include examples of evidence on which the Registrar will be allowed to rely. These include documentation showing that the company has property rights in the address (e.g., freehold or leasehold); or a written agreement entitling the company to use the address; or a recent utility bill addressed to the company at the address.

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<sup>13</sup> <https://www.legislation.gov.uk/uksi/2016/423/impacts>

34. Based on engagement with 5 stakeholders the IA estimated that annual costs would be between £109,000 and £218,000 in 2014 prices. This was based on the following assumptions:

- a. All Companies and LLPs that were subject to a dispute would incur staff time costs in responding to a request from the Registrar to provide evidence on their authorisation to use a registered office.
- b. Costs to both companies that are found to be authorised to use addresses under the new procedure, and companies that are found not to be authorised to use addresses<sup>14</sup>.
- c. That providing evidence to the Registrar would take a half a day of a director's (or corporate manager's) time, or 3.75 hours.

35. The IA did not quantify any other costs though did discuss other sources of cost, e.g., legal advice. However, 4 out of 5 stakeholders consulted thought that companies would not seek legal advice before providing evidence to Companies House, and the stakeholder who believed some companies could seek legal advice, believed such cases would be exceptional. The IA considered that Companies House would incur some administrative costs processing and recording complaints to do with registered office disputes, but these could not be quantified. The registered office provisions allowed for an appeal to the courts against a decision by Companies House; they also allowed Companies House to refer a question to the court for a determination. The IA considered that this impact would be negligible as appeals were very unlikely (i.e., the costs were likely to far outweigh the benefits, given the availability of comparatively cheap alternative registered offices) and it did not expect many referrals.

36. Total expected annual costs were expected to be between £118,500 and £237,500 with a best estimate of £178,000. The total net present value over a ten-year period was £ - 1.53 million. The equivalent annual net cost to business was £0.18m (in 2014 prices).

37. Between 1<sup>st</sup> January 2020 and 31<sup>st</sup> December there were over 7,500 registered office disputes, in terms of RP07 forms submitted<sup>15</sup>. Of these, nearly 2,900 were rejected<sup>16</sup>. Companies House have been able to capture data on the outcomes of around 4,300 cases which were processed during 2020. Of these:

- a) 15 companies provided evidence that the address is valid.
- b) 331 companies provided no evidence and changed their address.
- c) 3973 companies provided no evidence but did not change their address and therefore ended up with CH PO number.

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<sup>14</sup> This is because Companies House data at the time recorded the number of complaints received about companies stated registered offices. However, as there were no powers in place for Registrar to investigate complaints they receive/adjust the register in response to a complaint, no judgement could be made about whether the complaints currently received were valid or not.

<sup>15</sup> Persons can dispute a registered office address using the RP07 form. Note the information in this paragraph is derived from Companies House's management information and is unaudited. Therefore, it is subject to change and should be used for indicative purposes only. Official statistics are produced on a quarterly, bi-annual and annual basis and this information may be included in future releases of our statistics. Please refer to our website for our official statistics using this link:

<https://www.gov.uk/government/statistics?departments%5B%5D=companies-house>

<sup>16</sup> Reasons for rejection are provided to applicants but these are not captured in CH data systems.

38. As with the striking off regulations the IA underestimated the number of registered office disputes. Again, numbers would have been hard to predict, possibly because of suppressed demand or by making the process easier it stimulated demand. However, in this case we know of one unintended consequence which raised demand.
39. The Registered Office disputes regime was introduced to prevent residential addresses from being used fraudulently. However, one unintended consequence has been that service providers use the process to move registered offices when relationships with clients end. Service providers also use the process in the event of no payment from a client. There were 2500 submissions from service providers in 2020 and these accounted for around 33% of the total RP07 submissions<sup>17</sup>. Service providers put in an application and once the client has paid, the service provider withdraws their application; or where the client has paid after Companies House has moved the registered office to the default address, the service providers will change the default registered office back to their own address (supported by suitable evidence). Whilst it was not what the regime was intended for, the service providers use of the regime for this purpose is legitimate.
40. Companies House report cases where people get irritated by the fact that the Registrar must write to the false address as the company's registered office, saying that the Registrar will change the registered office address unless the company changes it in accordance with the Act or provides evidence to the registrar that it is authorised to use that address. This is seen as pointless by the recipient as they have already told Companies House that the company is not at that address.
41. There have been instances where a company subsequently files a change of registered office address and reverts to the previous disputed address. Restrictions within the current framework mean the Registrar is unable to tackle such abuses. Whilst such abuse is not widespread, it is unfair to ask those negatively affected individuals, e.g., those resident at the incorrect office address, to keep re-applying to the Registrar. The Government is consulting on proposals<sup>18</sup> to give further powers to Companies House to prevent such abuse. Companies would be required to provide the appropriate evidence before changes to the register are made. So, for companies whose address has been changed to the default address by the Registrar, the Registrar would be able to ask for evidence when a company subsequently seeks to change its registered office. The Registrar might also impose an ongoing evidence requirement on the company in some circumstances, for example, in scenarios where the registered office has been moved to the default address for a second time.
42. In addition, the Registrar does not currently have the power to change an address to the default address without an application, even when the address supplied by the company does not physically exist. Under future reforms, we propose to provide the Registrar with the means to move a company to the default address where there is evidence that to do so would be appropriate and proportionate (as in the example above). We also intend to limit the amount of time any company (or other entity) can remain at the Companies House default address to 12 months. We are consulting on measures such as making it an offence if a Company (or other entity) remains at the Companies House default address for longer than 12 months. This could be a criminal offence punishable by imprisonment and/or a fine, a civil penalty, or a mixture of the two.

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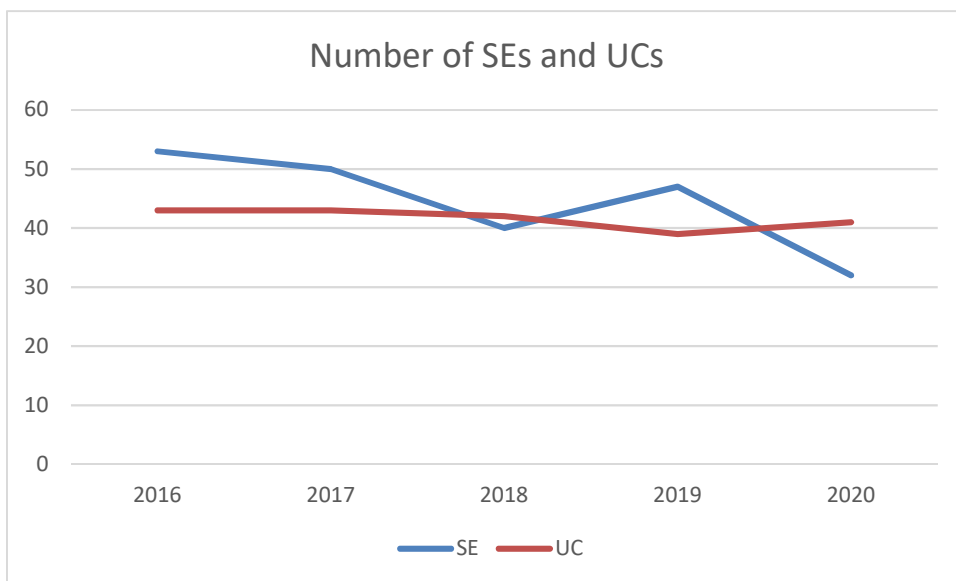
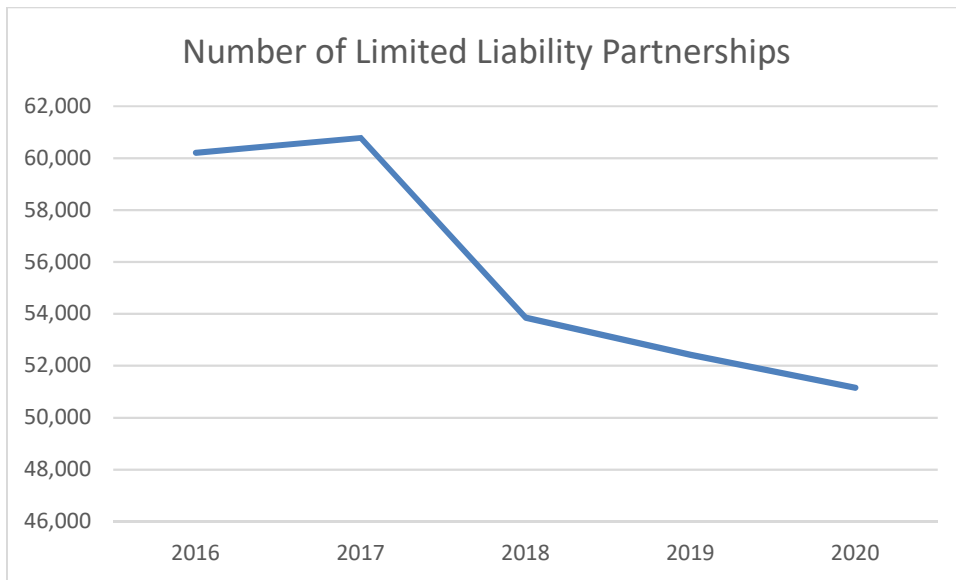
<sup>17</sup> The information provided forms part of Companies House's management information and is unaudited. Therefore, it is subject to change and should be used for indicative purposes only.

<sup>18</sup> <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-powers-of-the-registrar>

43. Overall, the regulation has had the desired effect. It has allowed the resolution of substantially more registered office disputes than assumed in the original IA. Further there are few cases where property owners claim that their property is not the location of a registered office, when in fact it is. However, there have been unintended consequences where service providers use the process to end relationships with clients. And some companies are abusing the system after being moved to a Companies House address by changing their address back to the disputed address. It is likely that the compliance costs are higher than estimated in the IA, given the substantially larger number of cases. But equally the higher volume means that the unquantified benefits are also higher.

*Filing requirements regulations*

44. The IA assumed that the measures would apply to 60,200 LLPs, 45 SEs and 43 UCs in the UK. And that the number of entities would remain unchanged over the appraisal period.



Source: Companies House, Table C1, Companies Register Activity in the UK 2019-2020.

45. Analysis of published Companies House data shows that the number of SEs and UCs has been broadly stable since 2016. However there has been a substantial decrease in the number of LLPs since 2016.

46. The IA also had data that showed that 50% of corporate entities filed on their own behalf, whereas the remainder used an agent.

### Annual filings

47. Prior to the regulations, all corporate entities on the public register were required to submit an annual return once a year on a specified date. The annual return was a snapshot of basic information about the entity on a given date, usually on the anniversary of incorporation. The return needed to be completed even when there were no changes to report. Annual returns were completed either by the entity or by an agent on behalf of the entity.

48. The regulations removed the annual return requirement for LLPs, UCs and SEs. The new regime, which replaced the annual return, still requires corporate entities to ensure that their information is up to date. Entities are required to check the information held at Companies House and confirm that it is correct at least once in a 12-month period (by submitting a confirmation statement), which they can do when they make a change of details e.g., appointment of new director or when they submit accounts.

49. The IA estimated that:

- a. An estimated 50% of entities - i.e. 30,100 entities - make the filings to Companies House themselves. The remainder used an agent to make an annual return to Companies House on their behalf.
- b. 25% of entities – i.e. 15,100 entities – complete one in-year change of details. Of these:
  - i. It assumed that 50% of the 15,100 LLPs, UCs and SEs (i.e. approximately 7,500 entities) that make an in-year (change of details) return do so themselves,
  - ii. while 7,500 entities use an agent.

50. The benefits of the regulation were intended to be the avoided costs from complying with the previous system.

51. The IA provided estimates of the time taken to complete an annual return:

**Box 1: Annual filing requirements pre-reform**

Prior to the regulations the annual return for an SE and UC required the following information:

- Company number
- Type of company traded or not
- Registered office address
- Location of registers
- Details of directors (members for SEs)
- Standard industrial classification
- Details of share capital; and
- Details of shareholders, and their holdings.

The annual return for an LLP required the following:

- Registered number
- Registered office address
- Details of members; and
- Location of LLP records.

- a. For LLPs, the best estimate gained using CH's usability suite<sup>19</sup> was around 5 minutes, with a range of between 4 and 6 minutes.
- b. For companies, the best estimate was 6 minutes, with a range of between 5 and 7 minutes.

52. It also provided a time estimate for making an in-year change to details. Companies House modelling suggested it took around 1 minute for companies to make in-year changes (for example updating the details of a director, or updating the entity's registered office address). In-year changes by LLPs, UCs and SEs were expected to take the same amount of time as in-year changes for limited companies.

53. The benefits were:

- a. For the 50% of entities undertaking the return themselves: 30,100 entities saved between 4 and 6 minutes as they did not need to complete an annual return. Valued at the wage rate of a senior manager, this gave a best estimate of over £63,000 a year.
- b. Of the 30,100, 1,900 entities saved 1 minute by not having to undertake an in-year filing gave a saving of £800 a year.
- c. For the 50% of entities that use an agent to make the returns on their behalf, 30,100, it assumed that each could avoid a fee of £70 for agents completing a return. This would have given a total saving of £2.1m. However, as agents offer a wider range of services than just completing annual returns, the IA assumed that only 25% of entities who used an agent would no longer use an agent to file their annual return. This reduced the annual saving to £528,000.

54. Overall, the best estimate of benefits was given at £591,000 a year.

55. In terms of costs the IA assumed that entities would require 20 minutes of senior management time to familiarise themselves with the change. These amounted to £503,000. The IA assumed that there would be on-going costs – the cost from confirming details – equivalent to making an in-year change, i.e., a time cost of 1 minute. These amounted to £16,000 a year.

56. Companies House can record the time taken to complete a confirmation statement<sup>20</sup>. On average, it takes 211 seconds to complete the confirmation statement when submitting through the web filing system. However, there is a wide variation in the data given that the mode value is 34 seconds. Unfortunately, Companies House automated data systems do not report other details on the distribution e.g., the median.

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<sup>19</sup> The usability suite is a computer suite where workshop was held where individuals were asked to work through and understand the current system and proposed changes to it.

<sup>20</sup> From the analytics system, it is not possible to breakdown the completion times by company types. The numbers presented are therefore for all corporate entities.

Time taken to complete a confirmation statement for UCs, LLPs, Ses - Unable to breakdown by type of company	
January CS01 (All)	Time (Secs)
Average	211
Mode	34

57. This suggests that *on average* the time taken to complete the annual return - around 5 minutes – was slightly more than the time taken to complete the confirmation statement, suggesting that the time saving presented in the original IA, and the deregulatory benefit, was too high. That said many confirmation statements are completed in less than a minute, as expected in the IA. And the measure is likely to be reducing burdens now given that:

- a. The familiarisation costs are sunk.
- b. On average the time taken to complete the confirmation statement (3.5 minutes) is less than the time taken to complete an annual return.
- c. And the most common response time for a confirmation statement – 34 seconds - is substantially below the 1 minute assumed in the IA.

## Registers

58. Prior to the regulation, LLPs were required to keep registers which contain details about certain aspects of them: their members; and members' residential addresses. LLPs were also expected to keep the new register of people with significant control. LLPs either kept or maintained their own registers or employed an agent to do this on their behalf. Keeping a register involved different sets of costs:

- a. The cost of maintaining the register. This depended on the number of amendments that must be made to the register during a year.
- b. The second type of cost arises only where a person (either a member or a third party) makes a request to inspect the LLP's register.
- c. Where an agent is used the costs to an LLP were the fee charged by the agent for this service (which might be included in a package of services, for example including filing of information with Companies House as well as keeping the registers). The second was the cost for the LLP of informing the agent of any changes.

59. The regulation permitted LLPs to opt out of the requirement to keep these registers and make them available for inspection. An LLP which took advantage of the opt out would instead be required to send the information to Companies House who would make it available in the correct format on the public register, thereby removing duplication.

60. The IA was unable to quantify the benefit to business associated with no longer holding their registers or the benefit to users of the public register who would no longer have to visit premises to view a physical copy of the register.

61. The IA did however estimate familiarisation costs to LLPs from the new arrangements. It estimated that a manager or corporate partner from each LLP would have to spend 20 minutes familiarising themselves with the changes. This led to one off familiarisation



costs of £502,000 (2014 prices) for 60,200 LLPs.

62. Evidence provided by Companies House shows that relatively few LLPs took the opportunity to move their Register to Companies House – 86 since 1<sup>st</sup> January 2017. Overall, this suggests that, as a deregulatory measure, it was of little value to beneficiaries.

LLPs moved their registers to CH after 2016	
YEAR	TOTAL
2016	10
2017	42
2018	20
2019	21
2020	3

### Statement of Capital

63. A statement of capital is a snapshot of a corporate entity's issued share capital at a given time introduced by the Companies Act 2006. A statement of capital must be prepared and submitted to Companies House on formation and in several other situations, generally when the entity does something to change its share capital.

64. Prior to the regulations, a statement of capital had to include the following financial information:

- a. the number of shares and their aggregate nominal value
- b. the total number of shares in a particular class of share (e.g. ordinary, preference share) and their aggregate nominal value; and
- c. the amount unpaid (if any) and paid up on each share.

65. The regulation allowed UCs and SEs to no longer provide the amount unpaid and paid up on each share. These entities would only have to show the total amount unpaid (if there is any). This particularly benefit UCs and SEs that have allotted shares at different prices. The measure brought requirements for UCs and SEs into line with companies in general.

66. The IA was unable to quantify the benefits of the measure as even those stakeholders who supported the measure were unable to quantify the time and cost saving associated with the changes.

67. The IA did estimate the familiarisation costs associated with the measure. It estimated that directors or senior managers from 43 UCs and 45 SEs would need to spend around 10 minutes for a company director to familiarise themselves with the new requirements. Giving a cost of around £400.

68. Companies House does not currently collect data to assess how long it takes to complete the statement of capital - SH19 - form. So, this PIR is unable to assess whether there has been any compliance cost saving. However, given the low numbers of companies affected any compliance saving will not be substantial.

## Dates of birth of PSCs on the register

69. To provide protection against identity theft, the regulations removed the requirement for LLP's to show the day element of a PSC's date of birth on the public register. LLPs were still required to provide the full date of birth to Companies House and this is available on request to credit reference agencies and public enforcement bodies.
70. The IA cited several studies that showed the impact identity theft could have on its victims including financial loss, distress, reputational damage and mental and physical health problems. To the extent that suppression of the day of birth on the public register reduced identity theft the benefits of the measure could be significant. However, the quality of evidence available meant that the benefit could not be monetised in the IA. Nor is it possible now as it is impossible to know the extent to which identity theft would have been suppressed because of this measure.
71. The costs of the measure were not quantified. But it is safe to assume that they were zero. Nothing changed for LLPs as they still needed to provide full details to Companies House. The only change was that Companies House did not publish the day element on the public register.
72. The Government's view is therefore that the measure is reasonable: even if there were few cases, it imposed no costs and even if it only benefitted a few cases, these benefits were likely to be significant.

## **Conclusion and Recommendations**

73. The main conclusions are:
- a. That the objective of improving the quality of the information on the Register remains relevant and therefore the measures covered by the regulations remain relevant.
  - b. The *striking off* and *registered office* regulations have had a greater impact than anticipated: substantially more people have benefitted from being relieved of duties which they did not agree to perform; and substantially more registered office disputes have been resolved. That said, these regulations have not prevented some fraudulent companies from reappointing falsely appointed directors or from resubmitting that the disputed address as their address. The Government is consulting on changes to the Registrar's powers to prevent companies from doing this.
  - c. The *filing requirements regulations 2016* had less impact than anticipated. *On average* the time taken to complete the annual return - around 5 minutes – was slightly more than the time taken to complete the confirmation statement, suggesting that the time saving presented in the original IA, and the deregulatory benefit was too high. That said many confirmation statements are completed in less than a minute, and below the time expected in the IA. Few LLPs took up the flexibility to move their Register to Companies House. And some measures such as those relating to date of birth of PSCs or statement of capital would have had minimal or no impact on burdens. However, it should be noted that the objective of this regulation was not to simply reduce burdens: for example, removing the day of birth from PSCs date of birth sought to protect individuals from identity theft.