

Corporate transparency and register reform  
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5 August 2019

Dear Sirs

**ICSA response to the Department for Business, Energy and Industrial Strategy (BEIS) consultation on corporate transparency and register reform: options to enhance the role of Companies House and increase the transparency of UK corporate entities**

We welcome the opportunity to comment on the BEIS consultation on options to enhance the role of Companies House and increase the transparency of UK corporate entities.

ICSA: The Governance Institute is the professional body for governance. We have members in all sectors and our Royal Charter purpose is to lead 'effective governance and efficient administration of commerce, industry and public affairs'. With more than 125 years' experience, we work with regulators and policy makers to champion high standards of governance and provide qualifications, training and guidance. ICSA is the professional body that qualifies Chartered Secretaries, which includes company secretaries. Company secretaries have a key role in companies' governance arrangements, including transparency of UK corporate entities and the work of Companies House. Our members are therefore well placed to understand the options for reform set out the consultation document.

In preparing our response we have consulted, amongst others, with members of the ICSA Company Secretaries Forum, a group of company secretaries from more than 30 large UK listed companies from the FTSE 100 and FTSE 250. However, the views expressed in this response are not necessarily those of any individual members of any of this group, nor of the companies they represent. We set out below some general comments, followed by our responses to specific questions set out in the initial consultation.



## **General comments**

We very much support the overall proposals for reforms to increase the accuracy and transparency of information available from Companies House, thereby increasing public confidence in UK companies. We believe this is important for the future of UK business and for providing assurance to people engaging with UK companies. However, the proposals represent a significant change in the way Companies House operates and we believe the potential impact of the proposals need to be thought through before implementation. Whilst we support the aims of the consultation and many of the proposals, we believe that some could have unintended consequences and others go beyond what is necessary to achieve the reforms set out in the consultation document.

We agree that it is important for Companies House information to be transparent and accurate, and that the misuse of UK registered entities should be prevented. However, this should not be done in a way that is detrimental to UK business and the proposals should not go further than is necessary to deliver these aims.

## **Responses to specific questions**

### **Part A**

#### **Chapter 1: The case for verifying identities**

#### **Q1. Do you agree with the general premise that Companies House should have the ability to check the identity of individuals on the register?**

Yes. We believe it is essential that the information contained on the Register at Companies House is accurate and reliable. This is important for the integrity of UK companies generally, for the protection of individuals who appear on the Register, and to prevent the misuse of companies.

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

Yes. There would need to be assurance over all data protection issues. We have concerns around the security of personal information held, including the systems on which personal information would be stored and the circumstances under which personal information may be shared or made public.

We do not believe Companies House should carry out identity verification itself. We believe the verification process should be carried out either by a third party with expertise in this field, as is the case for banking and other similar organisations, or by an appropriately qualified professional acting as presenter.

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

Yes. Please see our comments in response to question 2 above in relation to identity verification. We believe Companies House should opt for using a third party with expertise in identity verification or an appropriately qualified professional to carry out this function.

## **Chapter 2: How identity verification might work in practice**

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

Yes, although, as discussed above, we do not believe Companies House should carry out this function itself. We believe it is important to take advantage of the best technology available. There also need to be adequate safeguards in place for the security of data, particularly identity data. One of the aims of the proposals is to address existing concerns over directors' identities being appropriated for criminal activity and the consultation recognises that identity verification carries the risk of new opportunities for fraud. It is therefore likely that Companies House data will become a target for cyber-attack and it requires the highest level of protection, with alternative arrangements available in the event of a systems failure or cyber-attack.

Clearly, identity checking will introduce some delay into the registration system. We believe there is a risk/reward balance to be struck when considering the level of delay that would increase confidence in the information held at Companies House without causing delays that would be detrimental to UK businesses. We are aware that identity checking is required in many other jurisdictions and this can result in a cumbersome registration process. We would be concerned were long delays created by the verification of directors of UK companies, particularly those based overseas. As is made clear in the consultation document, the vast majority of UK registered companies are small, and this needs to be taken into account in the risk/reward analysis so that the measures implemented are proportionate.

The consultation acknowledges that some people will be unable to verify their identity using the preferred approach because they do not have identity documents or the technology required. The government needs to ensure a solution is identified for this group of people before implementing the proposed changes. One solution could be for people without the necessary technology or identity documents to use an intermediary for their dealings with Companies House, with the intermediary carrying out the identity verification. However, it must be understood that this is likely to be more expensive and, unless another solution can be found, it is likely that these people will be disadvantaged to an extent that may be unacceptable.

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

Our concerns over access relate to directors without access to the necessary technology or identity documents to verify their identity and that the costs of using an intermediary could be prohibitively high.

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

Yes, but Companies House would need to ensure third party agents' identities were verified and their activities monitored. There is potential for activities such as money laundering to be carried out by third party agents unless their activities are checked and monitored. We believe all third party agents would need to be accredited and authorised, and should be required to provide assurance that they have adhered to the specific requirements of customer due diligence checks.

We also have concerns that the consultation appears to assume that third party agents are required to carry out due diligence checks under the existing money laundering regime in all circumstances. This is

not the case. Third party agents are only required to carry out identity verification when there is an on-going business relationship (which includes the incorporation of a company), and for single transactions that incur fees in excess of €15,000. There is no requirement for third party agents to verify the identity of all clients. One possible solution would be for the register to indicate whether or not identity had been verified and for third party agents to include this information as part of their filings.

Of course, many companies will file themselves and not through a third party agent. The Government should ensure that, where this is the case and the filing is made by a suitably qualified individual within the company, for example a qualified Company Secretary, they are able to certify the identity of the company's own directors.

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

Yes, albeit perhaps on an exception basis. We believe that relying on third party agents providing evidence of having undertaken customer due diligence checks is not, of itself, sufficient. As discussed in our response to question 6 above, there would also need to be a system whereby third party agents were verified and their activities monitored.

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

Yes. All third party agents should be validly authorised and accredited. In addition, the information provided by third party agents should be the same as the information that would be required from individuals dealing with Companies House directly. It should be remembered that not all those filing at Companies House will be registered under the Money Laundering Regulations.

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

There should be sufficient information for the third party to be clearly identified and, if they are not an officer of the company, their name, address and contact information should also be provided.

**Chapter 3: Who identity verification would apply to and when**

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

(i) Yes, we agree that some form of identity verification is important. However, the government should either mandate ID verification for directors or, alternatively, mandate unique identifiers. Companies House should use one system or the other – not both. As discussed in our response to question 17 below, our preference is for unique identifiers. However, If ID verification is chosen we would reiterate our comments in our response to question 4 above that this function should be carried out by a specialist organisation on behalf of Companies House.

(ii) No. We believe that verification should follow the appointment of a director.

To require identity verification to take place before an appointment is valid, or for the board to make conditional appointments as a director, would be fraught with difficulty. Currently, appointment as a director of a company is made by the company's board, in accordance with the company's articles of

association and evidenced by the minutes of the meeting at which the director was appointed. Companies House records are the public record of a director's appointment rather than the appointment itself. Once appointed by the board, the director will act as a director of the company, and can legally bind the company from the date of appointment.

Were the Government to proceed with the proposal that verification should precede appointment, we would be concerned about the potential for claims that a director had acted without authority, or difficulties over the enforceability of contracts entered into at a point when a director had been appointed by the company's board but the appointment had not been accepted by Companies House due to identity verification checks having not been completed. Any doubt over the point at which a director's appointment was effective would cause difficulty for board decision-making and the new director's participation in board meetings, as the board is collectively responsible for all its actions.

We believe this difficulty could easily be overcome by Companies House records making clear when ID verification had not been completed in relation to a new director's appointment and for the records to be updated once ID verification had been completed. It would then be possible for anyone having dealings with the company to check the details and status of all directors' appointments to a company.

It may be necessary for a process to be developed to deal with situations where such verification has not been completed for a new director in a reasonable time, bearing in mind that for some overseas directors this can take longer than might be expected.

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

It is the responsibility of a company to identify People with Significant Control and verification would, logically, form part of this process. If a sanction for non-compliance is deemed necessary, the most effective means would be for legislation to provide for an order imposing restrictions on the shareholding and, in particular, its ownership rights. We envisage this would be similar to that provided under section 797 of the Companies Act 2006 which provides that such an order may be sought for non-compliance with a section 793 notice by a company requiring information about interests in its shares.

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

Yes. We believe it is important for presenters filing updates with Companies House to undergo ID verification. Currently there is no process to prevent individuals filing erroneous information, either by mistake or intentionally, and no process for identifying the individual filing the information. It is also very difficult for a person who is the subject of an erroneous appointment or information to be aware of the fact and/or have the information corrected. Identity verification of presenters would assist those who are the subject of an erroneous appointment to communicate with the company concerned.

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

Yes. We agree that the identities of all directors and PSCs should be verified, and believe that this should also include company secretaries, who will then be able to file on behalf of their companies. However we believe this should be done over an appropriate period of time. We do not believe it would be feasible for this to be carried out as a separate exercise. We suggest that an appropriate time for

identity checks to be carried out on existing directors and PSCs would be at the time the first annual confirmation statement is filed after implementation of the requirement for identity verification. Once completed, the register should note this had been done so that people viewing the register can identify which directors' identities have been verified and which have not. We believe that any director whose identity had not been verified after two years should be removed from the register.

#### **Chapter 4: Requiring better information about shareholders**

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

No. We believe this proposal is impractical and the perceived benefits would be outweighed by the complexity of implementation and the potential for uncertainty and confusion in the market. We believe that the policy objective will be met by the requirement for PSCs to be verified.

Collecting this information at a level of 5% shareholding would necessitate a number of practical and legal changes, not all of which may be possible. The Companies Act 2006 would need to be amended, together with all the legislation that supports change of share ownership, including the Stock Transfer Act 1982 and Uncertified Securities Regulations 2001, amongst others.

Different information would be required from the shareholder according to the size of their shareholding. The systems for transferring shares are either paper based, using stock transfer forms, or electronic, and all the transfer mechanisms would need to cater for the different information requirements. This could require significant system development across the market to provide for the variable requirements particularly, if the information requirements had to be satisfied prior to the transfer being effective. Paper based stock transfer forms would need to accommodate the circumstances when additional information was required, as well as when it was not. An individual shareholder is unlikely to know when the additional information was needed and this would cause confusion.

Legislation facilitating the collection this additional shareholder information would also need to cover collecting it at a future date, should a shareholding increase to 5%. An individual's shareholding could be increased to 5% or fall below that level by their own actions in purchasing or selling shares, but this can also happen through action taken by the company. A shareholder could become a 5% shareholder as a consequence of a reduction in a company's share capital, or cease to hold 5% if the company issues additional shares. This would result in the practical problem of additional information having to be obtained retrospectively, rather at the time shares are purchased, but it is also difficult to see how legislation could be drafted to accommodate these situations.

The legislation would also need to make clear which party had responsibility to provide or collect the information as, currently, company law places the obligation on the shareholder to disclose where their interest exceeds the regulatory threshold and on the company to maintain a register of members containing certain key information. This information does not include, for example, the date of birth and any attempt to obtain such information from a shareholder at a time after the purchase of shares is likely to be unsuccessful. Where a company's shares are actively traded, an obligation on the company to monitor a threshold for additional disclosure and ensure that information is collected and filed with Companies House would be overly burdensome, particularly in the light of the several mechanisms by which shareholders can acquire shares or by which ownership is transferred.

We believe this proposal goes beyond what is necessary for confidence and transparency in UK companies. We agree that it should be possible for people using the register to build a picture of the

trading history of shareholders with large shareholdings in companies, and this would be satisfied by the requirements for identity verification of PSCs, but we believe it is unnecessary for Companies House to collect and make public information on shareholders holding only 5% of a company's share capital. We also believe this would be excessively burdensome for companies. We suspect that anyone whose motives are less than genuine would simply opt to hold their shares through a custodian or intermediary, thereby avoiding scrutiny and defeating the aim of the proposals.

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

No. We do not agree that additional information on shareholders should be collected and filed with Companies House, save as required for shareholders holding more than 25% of the company's share capital who are therefore subject to the requirements for PSCs. We also believe that whatever category of shareholder becomes subject to identity verification, personal details such as date of birth and usual residential address should be withheld from the public register to protect individuals from identity theft. The information available should be the same as, or less than, that made available about directors.

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

Yes, but with reservations. We do not believe it is practical or necessary to carry out identity checks on all shareholders but this would be a reasonable compromise if it were decided that shareholders should be subject to identity verification at 5% shareholding. However, as discussed in our response to question 14 above, there would need to be clarity over how this might operate in practice and an understanding that it could create an unnecessary level of confusion.

Shareholders will typically purchase shares through regulated third parties with existing obligations to verify identity under 'know your customer' requirements, and the purchase details will then be forwarded to the investee company, or their agent, for registering. The potential impact on the purchase and transfer in the event the company was subsequently unable to verify the shareholder's identity would need to be clear. As for directors (discussed in our response to question 10(ii)) shareholders need to either be a member of the company with all the associated rights to vote, receive dividends etc, or not. Without the compromise of the register indicating whether or not shareholder identity has been verified there is potential for a requirement that transactions be reversed and this would lead to an unacceptable level of uncertainty. However, the alternative of the register making clear that identity has not been verified could raise concerns about the shareholder without due cause.

It is also not clear from the consultation if there would be a requirement to validate the identity of existing shareholders on the register, nor any indication as to how this information could be obtained.

We believe the better compromise would be for the threshold for identity checks to be any shareholding above 25%, at which point the shareholder would be subject to the identity checks for PSCs. It should also be remembered that, as noted in the consultation document, the vast majority of companies are very small and in most cases the directors and shareholders of these small companies will be the same people.

## **Chapter 5: Linking identities on the register**

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

No. We accept the disadvantages to unique identifiers noted in the consultation document, but believe it would be easier to link appointments in this way. A person's name appearing on Companies House records in various places can comprise many versions of their name, and there are numerous examples of this in the existing records at Companies House. This results in the potential risk that the various appointments would not be linked, which would not occur with unique identifiers. Unique identifiers would also have other advantages as the system would avoid the need for repeat verification of identity and the system is already provided for under the Companies Act 2006. One of the arguments put forward in support of identity verification is that it would result in people being less vulnerable to identity theft than under a system of unique identifiers. We believe this is unlikely to be the case, particularly as there will be a need for repeated identity verification.

However, whichever system is implemented, we believe it is important that there is just one system in place.

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

We believe that Companies House should comply fully with all the provisions of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA) in the use of all information held by Companies House, and we accept that, in strictly limited circumstances, it will be necessary for Companies House to disclose information to those delivering services on its behalf. However, the term 'outside partners' is very wide and could apply to a large number and variety of organisations. Information provided to such bodies and how that information might be used by others would need to be tightly controlled, and in all circumstances should be subject to GDPR and DPA requirements.

## **PART B: Improving the Accuracy and Usability of Data on the Companies Register**

### **Chapter 6. Reform of powers over information filed on the register**

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

Yes. Companies House is essentially a repository body for information owned by the company, and this proposal changes that nature. We agree that Companies House should have more discretion to query information on the register, and ask for evidence where appropriate. As a general rule, the default position should be that this is only after the information is placed on the register but, where suspicious activity is identified then, exceptionally, this is appropriate in advance. It is important that people checking the records at Companies House have access to up to date information about a company, so information should rarely be withheld from the register. In general, we believe that the preferred option would be for Companies House to indicate on the register when verification of information is being sought.

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

Yes. It is important that the information contained on the register is correct. We believe it is appropriate and proportionate to require companies to provide some evidence to accompany an objection to an application from a third party to remove information from its filings.

**Chapter 7. Reform of company accounts**

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

Yes. We agree Companies House should explore the option of introducing minimum tagging standards and carry out both a cost/benefit analysis and impact analysis, bearing in mind that this creates a significant cost for companies, especially smaller ones, with very little, if any, apparent benefit.

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

Yes. As it would appear the process is being abused by some companies, with the result that accounts are not filed for extended periods, this would be appropriate. However this process is frequently part of a genuine activity, such as the realignment of accounting reference dates within a group of companies, so a proportionate response is needed. We suggest the right to shorten an accounting reference period be limited to once every 18 months, unless there are extenuating circumstances.

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

We have not attempted to answer this question as we believe the accounting bodies are best placed to provide an answer.

**Chapter 8. Clarifying People with Significant Control exemptions**

**Q24. Should some additional basic information be required about companies that are exempt from People with Significant Control requirements, and about relevant legal entities that are themselves exempt?**

Yes. We agree that basic information should be provided by companies and relevant legal entities exempt from PSC requirements.

**Chapter 9. Dissolved company records**

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

Our members have mixed views on this. Some think that 20 years is too long and believe company records should be kept on the register for only 10 years following dissolution. This period corresponds with the time period shareholders' details must be retained on the register after they cease to be

shareholders. Others argue that the longer the data is retained at Companies House, the longer it is possibly to identify cases where suspicious activity has occurred.

## **Part C: Protecting Personal Information**

### **Chapter 10. Public and non-public information**

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

We believe Companies House should comply fully with the requirements of GDPR and the DPA. All non-public information collected by Companies House should remain private. Any access to such information should be provided to statutory bodies only and in full compliance with data protection legislation. It is very important that all information held by Companies House is secure from cyber-attack as the type of information being held would attract the attention of those who would misuse the information.

### **Chapter 11. Information on directors**

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

No. We do not believe there is any value in having information on the register about a director's occupation, particularly as the information cannot be verified and occupation is frequently described as 'director'.

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

Yes. We agree that directors should be able to apply to Companies House to have the "day" element of their date of birth suppressed on the register where this information was filed before October 2015. However, we would suggest this proposal should go further and automatically remove the "day" element of dates of birth information filed before October 2015 unless the company has opted out of the requirement to keep and maintain any of its own registers. We see no reason for directors to have to apply for this and it is surely less onerous for both Companies House and the directors concerned to take this approach.

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

Yes. We agree that a person who has changed their name following a change in gender should be able to apply to have their previous name hidden on the public register and replaced with their new name. However, if this facility is provided we do not believe it should be confined to the circumstances of a change in gender. There are other circumstances when a person may have changed their name because they are at risk of violence or intimidation and we believe this option should be available to anyone who has a legitimate reason for this request.

However, we believe it is important that the right to apply to have a previous name hidden on the public register should not be used to hide previous misconduct or other circumstances that would be important information for those viewing the register. The application process will be key to ensuring the facility is

not being used for such purposes. We also believe that the register should indicate where a previous name is hidden on the register so the public will be aware that they may not be able to obtain all the information about the individual that is held by Companies House.

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

Yes. We agree that people should be able to apply to have information about a historic registered office address suppressed where this is their residential address.

**Q31. Should people be able to apply to have their signatures suppressed on the register? If no, what use is this information to third parties?**

Yes. We agree that people should be able to apply to have their signatures suppressed on the register. However, in view of the risk of identity theft and fraud, we see no reason why signatures should not be automatically suppressed on the register, without the need for an application, if the proposals for identity verification are implemented.

## **Part D: Ensuring Compliance, Sharing Intelligence, Other Measures to Deter Abuse of Corporate Entities**

### **Chapter 12. Compliance, intelligence and data sharing**

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

Yes, in principle. It is important that Companies House has the ability to deter the abuse of corporate entities. However, we believe it is important that Companies House is explicit as to the public and private bodies being used for comparisons of data and we believe these should be statutory bodies only. Again, it is important that this activity complies fully with the GDPR and DPA.

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

No. We believe AML regulated entities are already required to report all anomalies to the appropriate agencies. It is also not clear what purpose would be served by additional reporting to Companies House, given that Companies House is a repository of information with no powers to take action.

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

We do not agree that information collected by Companies House should be *proactively* made available to law enforcement agencies in normal circumstances. However we do agree that information collected by Companies House should be made available to UK law enforcement agencies *on request* or when it meets specific criteria advised by law enforcement agencies. Of course, the law enforcement agency has to meet all the legal requirements to request the information and it should be subject to full compliance with GDPR and DPA.

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

No. Certain information is, and should remain, internal to the company. This internal information includes the company's bank accounts. Internal company information should not be filed with Companies House and no such information should be made publicly available. It should also be remembered that there is no requirement for a company to have a bank account and many smaller companies do not.

**Chapter 13. Other measures to deter abuse of corporate entities**

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

We are not currently aware of any such issues.

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

In principle, yes. But such a change would have wider implications and we think it preferable that it be the subject of a separate consultation on the powers of the courts to intervene in business activities.

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

Please see our response to question 37 above.

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

Yes, but only where an objection to the use of an address has been lodged with Companies House. Given the relatively small number of applications received in this regard, it seems unduly onerous to require all companies to provide evidence of their registered address.

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

Yes. We believe it is sufficient to identify and report the number of directorships held by an individual.

Under no circumstances should a cap should be introduced.

There are many legitimate reasons why individuals would hold a large number of directorships, some of which are identified in the consultation document. In addition to those identified, company structures may include a large number of subsidiary companies, many of which are dormant companies. Group structures also exist within charities, other not-for-profit organisations, and under Academy structures for schools. In addition, very many small companies are set up to hold the shared ownership of the freehold

to leasehold property and these can create a large number of directorships for individuals who own many properties. These market practices in the UK mean that it is inappropriate to compare the UK market with other countries which have instituted a limit on the number of directorships held by an individual.

The consultation document acknowledges that the vast majority of companies are very small and, whilst directors' duties apply to all directors, the vast majority of these small companies do not require the attention that is suggested in paragraph 237 for directors to fulfil their duties. The UK Corporate Governance Code provides that non-executive directors of listed companies "should have sufficient time to meet their board responsibilities" and it should therefore be left to the director to judge how many directorships is appropriate, based on their knowledge of the time commitment required.

We agree that it is important for Companies House to be able to identify and report on the number of directorships held by an individual so that law enforcement agencies can investigate where instances of criminal activity are identified, but it is unnecessary and impractical, for a cap to be introduced.

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

We do not support a cap on directorships for the reasons set out in our response to question 40. If a cap were put in place, we believe the exemptions would need to address multiple legitimate circumstances and would cover the vast majority of companies on the register.

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

We agree that Companies House should be able to query and/or reject applications in the limited circumstances described of repeated and/or vexatious applications to register a name similar to one on the register, or where the application attempts to appropriate the name and/or title of a specific individual with little or no obvious justification. However, we believe there should be clear criteria set out for Companies House powers to query and/or reject an application and this should not be left to the discretion of Companies House.

In other less serious circumstances, or when the criteria has not been met, we believe the existing powers for Companies House to direct a company to change its name after registration is sufficient, together with the right for a person or company to object on grounds covered by the Company Names Adjudicator at the Intellectual Property Office.

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

We believe it is important that Companies House continues to certify information available on the register. Certificates of Good Standing are used regularly by larger companies to provide evidence to overseas jurisdictions that the organisation is a bona fide company, incorporated in the UK.

However, if Good Standing statements are misunderstood and are being interpreted as indicating the company is financially sound, we would support a change of name to better represent the purpose of the statement.

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

We have no evidence of the inappropriate use of Good Standing statements but, as discussed in our response to question 43, if the purpose of the statements is being misunderstood we believe the name should be changed.

We hope you find our comments helpful and would be happy to expand on any of these points should you wish to discuss them further.

Yours faithfully

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