

## What can we expect from the Economic Crime Bill?

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In the wake of Russia's invasion of Ukraine earlier this year, the Government moved quickly to crack down on dirty Russian money in the UK, and other foreign elites abusing the UK's open economy, and the Economic Crime (Transparency and Enforcement) Act 2022 (ECA) was introduced at breakneck speed.

During the passage of the ECA through Parliament, the Government [committed to introducing](#) a second economic crime bill. True to their word, barely had the dust settled on the new ECA regime when the Economic Crime and Corporate Transparency Bill (the Bill) had its first reading in the House of Commons in September 2022.

There have been many technical and practical issues that professional bodies and property stakeholders alike have been grappling with since the ECA regime came into force. The Bill now looms large on the legislative horizon as a potentially transformative piece of legislation and will undoubtedly strengthen the Government's response to economic crime in the UK however it is also hoped that this new piece of legislation will provide clarity on the existing regime.

### What can we expect?

While the focus of the ECA has been on creating the register of overseas entities (ROE) and establishing the associated land registration requirements (as well as allowing the Government to move faster and harder when imposing sanctions and strengthening the UK's Unexplained Wealth Order regime), the new Bill seeks to deliver a suite of wider-ranging reforms to tackle economic crime and improve corporate transparency over corporate entities. The Bill's key objectives are to:



- reform Companies House and the operation of limited partnerships to improve transparency and limit corporate privacy and confidentiality rights;
- create powers to seize and recover suspected criminal crypto assets; and
- strengthen the UK's broader response to economic crime.

Part 3 of the Bill contains certain provisions that seek to [amend the ECA to](#):

- maintain consistency with changes to the Companies Act 2006 made by Part 1 of the Bill; and
- make minor and technical changes including: (i) amending the definition of “registered overseas entity” for the purpose of Schedule 4A of the Land Registration Act 2022; and (ii) expanding the provisions relating to false statement offences.

These minor and technical changes being required to provide clarity and iron out glitches to the ECA legislation which, as mentioned above, was hurried through Parliament.

## What impact will the Bill have?

Quoting from an MP in the Parliamentary debate: “*we do not necessarily have any problem with what is in the Bill. It is about what is not in the Bill*”. The lack of a proper enforcement plan and related resourcing is the most important of the omissions in the Bill and this echoes the general view that the Bill needs to include a proper plan for enforcement with extra resourcing otherwise it will be pointless.

Amongst the criticisms have been the lack of proposals in the Bill to give extra funding to law enforcement agencies such as the Serious Fraud Office to allow them to use the enforcement powers they have. There is also concern over the fact that the Bill puts a number of additional tasks, requirements and responsibilities on Companies House but the question remains as to how much funding Companies House will receive for enforcement and how it would go about the process. Resources going to Companies House need to be beefed up and it makes sense to increase the very low fee in setting up a company in the UK to address the resourcing gap. As another MP said “*Implementation is key, and resources are key to that*”. However, fee increases to address compliance need to be weighed up against the need to keep the UK competitive for companies looking to invest in UK assets.

The Bill has a wide remit and is evidence of the Government's ongoing commitment to tackling economic crime, preventing the misuse and abuse of limited partnerships and corporate structures, and increasing the integrity of the registers maintained by the Registrars of Companies. It does seem, however, that amendments are needed to the Bill to provide greater clarity to the proposed legislation especially around enforcement. The Bill looks likely to receive Royal Assent in the spring of 2023 and it will be interesting to see what, if any, amendments are made to that effect.

## What should you be thinking about now?

Whilst the Bill simmers in Parliament, the immediate focus **must be on ECA compliance**. We are now more than half way through the transition period and with the 31 January 2023 deadline looming statistics suggest that only around 7% of OEs that need to register on the ROE have done so to date. The tight timescales and administrative burdens of implementation not only on OEs but also on Companies House and the Land Registry, are likely to present significant challenges to many corporate, real estate and banking transactions in the coming months.



## Owning or disposing of UK property

OEs that own a freehold or leasehold interest for a term of more than 7 years (Qualifying Estate) in the UK should be making arrangements to register on the ROE as soon as possible in order to meet the 31 January 2023 deadline to avoid criminal sanctions and restrictions on the ability to deal with the asset.

It is also important to remember that whilst an OE may dispose of a Qualifying Estate during the transitional period without having to provide an OE ID number, OEs that have made such disposals since 28 February 2022 must register and give details of the disposal to Companies House.

## Acquiring UK property

OEs considering purchasing a Qualifying Estate need to register on the ROE as soon as possible in order to avoid any delay to the transaction timetable. OEs that acquire UK land after **5 September 2022** will not be able to register the legal title at the Land Registry, or further deal with the property unless they have an OE ID number.

## Verification and registration on the ROE

As we get closer to the end of the transition period, we expect the volume of registrations to increase significantly and with a 31% rejection rate at Companies House it is critical that OEs who need to register before the end of January do so as a matter of priority.

The ECA requires that the information provided to Companies House be verified by certain UK regulated institutions or professionals. The verification requirement is further extended to the registration of change of information, annual updating of information and removal of any information. Companies House has now published a list of UK-regulated agents who can complete verification checks on beneficial owners. We also have contacts at various organisations who can assist with the verification and registration process and if you wish to discuss this further we can provide you with the latest information that we have.

## Take action now

The bottom line is that the ECA has created a new compliance challenge for OEs involved in owning, buying, selling, charging or otherwise disposing of interests in land or property in the UK. Not only is there is no alternative but to comply but there is now a significant time pressure to do so.

If you would like assistance preparing for registration or would like to discuss the implications of the existing legislation or the Bill please contact a member of our [real estate team](#).

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