

Will the proposed Companies House reforms under the Economic Crime and Corporate Transparency Bill be fit for purpose?



Since 22 September 2022, the [Economic Crime and Corporate Transparency Bill](#) ('bill') has been making its way through Parliament. The changes set out in the bill are intended, amongst other things, to reform the role of Companies House (the first major overhaul since 1844) from a passive register into a more active gatekeeper, improve transparency over UK companies and other legal entities in order to strengthen the UK's business environment, support our national security and tackle economic crime.

What does the reform include?

The reforms include:

- Introducing identity verification for all new and existing registered company directors, people with significant control, and those delivering documents to the registrar. This will improve the accuracy of Companies House data, to support business decisions and law enforcement investigations.
- Broadening the Registrar of Companies House's powers so that the registrar can become a more active gatekeeper over company creation and custodian of more reliable data, including new powers to check, remove or decline information submitted to, or already on, the companies register.
- Improving the financial information on the register so that the register is more reliable, complete and accurate, reflects the latest advancements in digital technology, and enables better business decisions.
- Providing Companies House with more effective investigation and enforcement powers and introducing better cross-checking of data with other public and private sector bodies. Companies House will be able



to proactively share information with law enforcement bodies where they have evidence of anomalous filings or suspicious behaviour.

- Enhancing the protection of personal information provided to Companies House to protect individuals from fraud and other harms.
- Broader reforms to clamp down on misuse of corporate entities by addressing the misuse of UK company registrations and removals.

What about dissolved companies?

In February last year, we reported on [company dissolution no longer being the safe space for directors to hide from misconduct or fraud](#). The Ratings (Coronavirus) and Disqualification (Dissolved Companies) Act 2021 introduced measures to combat director misconduct by extending the powers of the Insolvency Service to investigate the conduct of former directors of dissolved companies (and disqualify them) whereas, previously, investigations were limited to directors of live companies only.

The concern is that the proposed reforms to Companies House are unlikely to achieve the Government's aims unless loopholes are closed around the company dissolution process.

It is all too easy (and cheap) for directors to dissolve a company either by actively doing this or simply waiting for a company to be struck off the register – for example by deliberately failing to file accounts. One way to prevent directors from hiding misconduct or fraud would be for the company in question to enter into an automatic compulsory liquidation process where either the director has:

1. failed to rectify the default by the deadline imposed by Companies House, or
2. puts the company into a voluntary liquidation process within one month of that deadline.

A liquidation process ensures that an investigation into the affairs of the company and the former director's conduct follows, saving the time and expense of having to apply to restore the company to the register through the courts.

How we can help

Whilst the reforms proposed in the new bill are undoubtedly a positive development, it is difficult to see how they can transfer Companies House into an effective 'gatekeeper' without such corresponding changes to the dissolution process. If you have any questions or need advice on the reform, please contact our [commercial disputes team](#).



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