

Department for Business, Energy  
& Industrial Strategy

**Corporate Transparency and Register Reform**  
Consultation on options to enhance the role of Companies  
House and increase transparency of UK corporate entities.

A response by  
CILEx Regulation

29 July 2019

## **Introduction**

This response represents the views of CILEx Regulation, the regulatory body for Chartered Legal Executives, CILEx Practitioners and legal entities. Chartered Legal Executives (Fellows) are members of the Chartered Institute of Legal Executives (CILEx). CILEx Practitioners are authorised by CILEx Regulation to provide reserved legal activities. CILEx is the professional body representing around 20,000 members and is an Approved Regulator under the Legal Services Act 2007 (LSA). Fellows and CILEx Practitioners are authorised persons under the LSA. CILEx Regulation regulates all grades of CILEx members.

CILEx Regulation is also a regulator of entities through which legal services are provided. It authorises entities based upon the reserved and regulated activities.

CILEx Regulation and CILEx provide an alternative route to legal qualification and practice rights allowing members and practitioners, who do not come from the traditional legal route to qualify as lawyers and own their own legal practice. With the implementation of the practice and entity rights, CILEx Regulation has demonstrated its emphasis on economic growth, as it aims to capture a wider range of individuals and entities within its regulatory remit.

CILEx became an approved supervisory authority for money laundering on 6 February 2015. Its authorised entities are supervised by CILEx Regulation as the independent regulator of CILEx members, CILEx Practitioners and entities.

CILEx Regulation is a member of the Legal Sector Affinity Group and the AML Supervisors forum. We support the aims of reinforcing a risk-based approach across all sections of the anti-money laundering and counter-terrorist finance regime.

Our authorised entities and a small number of individuals working as sole practitioners are supervised for money laundering compliance.

## **Consultation on options to enhance the role of Companies House and increase transparency of UK corporate entities.**

### **Response to Department of Business, Energy & Industrial Strategy consultation**

1. We are pleased to have the opportunity to respond to this consultation and to consider the impact on our firms and those we supervise for compliance with the Money Laundering Regulations 2017 (MLR 2017).
2. We support the strengthening of the role of Companies House and the proposal to increase the transparency of UK corporate entities that the Department for Business, Energy & Industrial Strategy are consulting on, as we believe that this has potential to assist relevant persons with the checks they are required to carry out.
3. There are considerations on how this will fit together with the requirements following the transposition of the EU Fifth Money Laundering Directive and whether in all instances those bodies providing information to Companies House are themselves regulated for Anti-Money Laundering compliance. We have made specific reference to this in the relevant sections.
4. We have not answered the individual questions in each section as not all of these are relevant to us but have provided a comment on the outcomes that are being sought in each Part.

### **Response to questions**

#### **Part A: Knowing Who Is Setting Up, Managing and Controlling Corporate Entities (Chapters 1-5)**

5. We fully support the premise that Companies House should have the ability to check the identity of individuals on the register as being a major step towards closing loopholes for criminals in setting up companies to facilitate criminal activity. With the requirements under the MLR 2017, then this brings those self-registering in line with obliged entities in carrying out checks. With the other changes that are proposed in the number of directorships that can be held, this will start to provide Companies House with more useful information to pass to law enforcement.
6. The use of technology in verifying identities continues to grow and Companies House should plan to enable its use in the checks that are carried out.

7. We support the proposal on increasing the information provided by third party agents, including evidence of the checks that they have carried out, as well as ensuring that all agents are supervised for compliance with the MLR 2017. We believe there is an assumption that all agents are regulated (see para 94 of the consultation document), when this is not necessarily the case, and therefore it is important that Companies House are checking that all agents that are used are supervised appropriately.
8. We would hope that data on those supervised by other bodies (such as Professional Body Supervisor's) could be made available to the supervisors to help with our own supervision activities. For example, clearly a firm that has said it only has registered 5 new companies in a year when Companies House records show 50, should be investigated.
9. Again, to ensure that a similar standard of checks is being applied to all company registrations, we agree that the government should mandate ID verification for directors and that this should take place prior to appointment, similar to the way that ID checks would be done for bank accounts etc. This should not be seen as an adverse proposal as these checks will be required for other services (such as bank accounts) and should have minimal impact on timing.
10. We also support the additional checks proposed on directors, People with Significant Control and shareholders. We can see no reason why these groups should be excluded from the process of improving the register and enabling better linking of shareholding and directors. We have noted the issue of one individual having a slightly different name for each company registration and this would provide better clarity to users by giving one association to a single identity. It would save users for making additional enquiries as to what is the correct entry.

## **Part B: Improving the Accuracy and Usability of Data on the Companies Register (Chapters 6-9)**

11. We would support Companies House having more discretion to query information before it is placed on the register as this would then mean there is a reduced risk of other bodies potentially relying upon any inaccurate information, thereby allowing a company to potentially access other services before any action is taken. This should help reduce the instances of fraud and risk.
12. We also believe that it is appropriate for Companies House to have increased powers to remove information from the register and that any company challenged should provide evidence to any objection. We think this is important as it will be supporting the proposed obligations on obliged entities under the EU's Fifth Money Laundering Directive to report discrepancies and mean that they will not feel that they will be challenged as the reporter. This power will help support that

obligation and ensure that all companies are treated in a similar manner, whether or not an obliged entity is involved.

13. We assume Companies House will monitor the use of this power to ensure that it is not used inappropriately or maliciously.

14. The proposals on clarifying people with significant control exemptions seem sensible in providing further detail and quality information to the users of the register. Again, this would help reduce risk.

### **Part C: Protecting Personal Information (Chapters 10 and 11)**

15. The controls on access to information as proposed appear appropriate.

16. We would support the removal of directors' occupation as this does cause issues with professions. There may also be benefit in a review of the SIC codes as again this does mean some companies have inappropriate codes relating to another profession.

17. We believe the other changes proposed are proportionate in enabling certain personal information to be suppressed where it does not add value to the register and potentially creates a risk for the individual.

### **Part D: Ensuring Compliance, Sharing Intelligence, Other Measures to Deter Abuse of Corporate Entities (Chapters 12 and 13)**

18. We understand that the Government is looking to extend the requirements on regulated entities to report discrepancies and anomalies beyond that required in the EU Fifth Anti-Money Laundering Directive. We are concerned that this is effectively transferring in part the responsibility for policing the information on the register to third parties and that there has been no clarification yet as to what the consequences are for those firms that innocently miss a discrepancy.

19. We believe that a large number of organisations are unaware that they could report a discrepancy to Companies House and what the process and consequences of doing so are. We would wish to understand in more detail what this is and how this might be policed. How would Companies House become aware of non-compliance and what would that mean to a firm?

20. We agree that Companies House should be more involved in the sharing of data and, whilst reference is made to OPBAS data set, we believe that those such as SIS, GAIN etc would be more appropriate.

21. In order to reduce risk, we think that that Companies House should have the powers to end a limited partnership and tackle the misuse of company addresses and names.

### **Part E: Implementation**

22. We have no comments to make on the implementation issues beyond supporting the proposed reforms to Companies House.

### **Further information**

23. Any questions relating to this consultation response can be directed to David Pope, Entity Authorisation & Client Protection Manager (david.pope@cilexregulation.org.uk).