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22 October 2018

Thank you for your letter dated 15<sup>th</sup> October to Kelly Tolhurst MP, regarding the Treasury Committee's inquiry into Economic Crime and the role of Companies House in the fight against economic crime. I am replying as matters relating to Companies House fall within my ministerial portfolio. I am pleased to be able to assist the Committee's inquiry and provide the evidence it requires to carry out its work on this important issue.

In your letter you ask a number of questions related to the integrity of information held on the register of companies, the checks carried out by Companies House on the information submitted, and the role of Companies House in combating money laundering. I address each question in turn below.

***Can you outline what, if any, responsibilities Companies House has under the money laundering regulations?***

Companies House does not have Anti-Money Laundering (AML) responsibilities under the Money Laundering Regulations (MLRs). Under MLRs, obliged entities such as Trust and Company Service Providers and financial institutions are required to carry out AML checks as part of their customer due diligence (CDD) obligations. These checks are applied on a risk-sensitive basis to prevent the use of the financial system for illicit purposes. These requirements apply to persons acting in the course of business and are not intended to be applied by a public body with statutory responsibilities to all companies.

***Does Companies House undertake anti-money laundering checks on applications to the register?***

Companies House is not subject to requirements to carry out anti-money laundering checks. Under the Companies Act 2006, Companies House has a statutory duty to incorporate and dissolve companies. Where all the necessary information has been submitted in accordance with these requirements, Companies House has a duty to register the new company and cannot refuse registration for reasons other than non-compliance with the registration requirements.

Companies House undertakes numerous checks on the validity of information, both at incorporation and throughout the life of the company as new information is submitted. It works very closely with law enforcement agencies analysing data and patterns to identify suspicious behaviour.

***How does Companies House work with other authorities to ensure that the information it holds is valid?***

Companies House routinely shares intelligence with UK law enforcement bodies. Together they analyse data and patterns to identify suspicious behaviour. The National Crime Agency and Companies House entered into a Memorandum of Understanding in early 2017 to allow information sharing.

Since 2014, Companies House has been a member of GAIN, the Government Agency Intelligence Network. GAIN falls under the Home Office and is a forum for resolving issues through joint partnering and information sharing when taking enforcement action. There are over 20 agencies and law enforcement departments that feed into GAIN, including police forces, NCA, Immigration, Trading Standards, Security Industry Authority, Gangmasters and Labour Abuse Authority and the Environment Agency.

In recent years, Companies House has undertaken significant outreach to members of the regulated professions, specifically targeting the financial sector, to develop closer working and encourage more voluntary reporting by these bodies, where they believe the data held by Companies House may be inaccurate.

The register of companies is constantly under scrutiny and was accessed 2.2bn times last year. With so many eyes viewing the data, any errors or omissions can be identified and reported. In July 2017, Companies House introduced a "Report It Now" function, making it easier to raise concerns about the information held on the register. Earlier this month Companies House issued updated guidance on how to report fraud or suspicious company activity. Both the regulated entities subject to CDD obligations, and the public notify Companies House of potential errors on the register. Companies House receives around 200 contacts a day through "Report It Now" and other channels and follows up with the companies where necessary.

***Does Companies House have a role or responsibility to monitor the creation and use of shell companies?***

No. Companies House has statutory duties to incorporate and dissolve companies. It also monitors compliance with the reporting and disclosure obligations on companies that require them to file information with Companies House. Companies House does not have a role in respect of the business activities undertaken by companies.

The registration of a company in itself is of little consequence. Arguably all companies are shell companies at registration, as they have no trading history. Any person looking to set up a company in the UK must on incorporation provide information on any beneficial owners of the company and keep this information up to date. This information is publicly accessible on the register of People with Significant Control, and can assist law enforcement in their investigations of alleged criminal behaviour, including money laundering.

Companies House carries out a number of checks on all information received, ensuring it is valid, complete, and in compliance with company filing requirements. When it detects or receives intelligence relating to suspicious actions, including possible money laundering, Companies House will report the information to the relevant enforcement body.

***What checks are undertaken to verify the information about “persons with significant control” shown on the Companies House database of company information?***

Companies House does not have powers to verify the information, but it does carry out a number of checks on all information received, ensuring it is valid, complete, correctly formatted and in compliance with company filing requirements. The obligation to ensure the information is accurate lies with the company and its directors. An offence is committed by the company if it files false information. Companies House maintains one of the most open and extensively accessed companies' register in the world. It is a powerful tool in identifying false, inaccurate or possibly fraudulent information. With many eyes viewing the data, errors, omissions or worse can be identified and reported.

***What is the process for ensuring that the information about persons with significant control shown on Companies House database is kept up-to-date and accurate?***

Companies are required to submit information on their People with Significant Control (PSC) and keep this information up to date. When a change of PSCs occurs, the company must update the records on the register within a maximum of 28 days.

Companies House is undertaking a number of activities to improve the quality of information on the PSC register. It contacts companies if they appear to have misunderstood the requirements, to ensure that the records are corrected and that the companies comply with their legal requirements. Where companies have not provided PSC information, have not filed a statement of additional matters, or where information is missing or appears incorrect, Companies House pursues companies to ensure compliance.

As of September this year, criminal proceedings have been issued against 99 individuals and 89 companies in connection with non-compliance with the PSC requirements.

***What amount of resources does Companies House deploy to check and validate the information it holds, in terms of both budget and head-count?***

Companies House software conducts a number of automatic checks on the validity of the information submitted, followed by checks by a member of staff. Companies House has over 300 examiners checking the information submitted to the Registrar, at an approximate cost of £8 million per year. They ensure that the information is valid, complete, correctly formatted and in compliance with company filing requirements. An additional 26 members of staff are dedicated to ensuring integrity of the PSC register. Companies House also employs around 80 people who are dedicated to maintaining the integrity of the register.

***Has BEIS considered reforming Companies House's anti-money laundering responsibilities, and when would any reform be expected?***

There are no current plans to require Companies House to fulfil a frontline anti-money laundering role.

Were such responsibilities to be given to Companies House, it would fundamentally alter its relationship with the company formation process and impose significant burdens and costs on over 4 million companies, the vast majority of which are legitimate and law-abiding. However, once the outcome of the Financial Action Task Force evaluation of the UK's anti-money laundering regime is known, my Department will be considering options to reform the company registration process including what information is disclosed, and how assurance is provided over that information.

I hope this information is helpful in assisting the Committee's inquiry.

*Yours ever*  
*J. Henley*

**Rt Hon Lord Henley**