

PROPOSED COMPANIES HOUSE REFORMS IMPACT CORPORATE TRUSTEES

CORPORATE TRANSPARENCY AND REGISTER REFORM WHITE PAPER

In its bid to tackle the use of fraudulent / anonymous shell companies and untraceable directors as part of wider reforms to tackle illicit finance and money laundering, the Government's [White Paper](#) proposes significant reforms to the UK's corporate registration framework that could impact on corporate trustees.

What does this mean for corporate trustees?

There are numerous proposed reforms (see the summary table in Annex 1 of the White Paper), but the two proposed reforms which are likely to be of most interest for corporate trustees are:

Key Issues for Corporate Trustees:

- Compulsory identity verification for directors, PSCs and agents
- Corporate directors to have only natural persons on their boards
- Criminal sanctions and civil penalties for failure to verify
- Timing and detail of legislation are yet to be confirmed

1. Requirement for identity verification for a wide range of persons

Reform Area	<p>The Government's aim is to help improve the reliability of information on who is setting up and running UK limited companies.</p> <p>All existing and new company directors, persons with significant control ("PSCs") (broadly, those who own / control companies), anyone else submitting filings to Companies House e.g. company secretaries and any employees who make the filings, and others (e.g. including all members of LLPs, all general partners of LPs) would be required to verify their identity with Companies House.</p>
Explanation	<p>The process to verify an individual's identity is expected to be straightforward and should only take minutes – broadly the person will be required to set up an account with Companies House and send a photo of themselves and their valid ID document. Companies House will then compare the two using likeness matching technology to verify the person's identity.</p>
Penalties	<p>If a person hasn't registered with Companies House and verified their identity within a set period (we don't yet have details on that timeframe), they will be committing an offence and may be liable for a civil penalty.</p> <p>A company will similarly be committing an offence if it has unverified directors on its board.</p> <p>Details of the offences / potential financial penalties are not yet available.</p>
Next Steps	<p>While we don't yet know when legislation will be forthcoming (the Government has suggested it will be "in the coming months") Trustees may wish to review existing director appointments and consider who may be captured by the new identity verification requirements.</p> <p>Thought should also be given to the processes that will be put in place to ensure that all future director appointments, PSCs and other individuals who may be affected by the requirements are aware of the changes and comply as necessary once the legislation has been finalised.</p>

2. All corporate directors to have only natural persons on their boards

Reform Area	<p>The Government's aim is to prevent companies from having opaque chains of corporate ownership.</p> <p>It is proposed that where a corporate acts as a director of a company, <u>all of that</u> corporate director's directors must be natural persons otherwise that corporate director's appointment will be invalid.</p>
Explanation	<p>This may be an issue in particular for trustee companies with professional trustees on their boards as the appointment is usually of a company that then supplies an individual to represent it on the trustee company board.</p> <p>The issue is that if a trustee company (Company A) has a director on its board which itself is a company (Company B), once the requirements come into effect Company B must not have directors on its board which are companies (i.e. all of its own directors must be individual natural persons) in order for Company B's appointment as a director of Company A to be valid.</p>
Next Steps	<p>Trustees should consider the structure of their board and any layering of corporate director appointments. To the extent there are any corporate directors on the board, trustees will wish to understand that preparations for compliance with the changes are underway.</p>

Please see our [corporate briefing](#) for further details on the proposed reforms.

CONTACTS



Hywel Robinson
Partner

T +44 20 7006 8387
E hywel.robinson
@cliffordchance.com



Clare Hoxey
Partner

T +44 20 7006 8899
E clare.hoxey
@cliffordchance.com



Sarah McAleer
Partner

T +44 20 7006 8808
E sarah.mcaleer
@cliffordchance.com

This publication does not necessarily deal with every important topic or cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street,
London, E14 5JJ

© Clifford Chance 2022

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571

Registered office: 10 Upper Bank Street,
London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ

Abu Dhabi • Amsterdam • Barcelona • Beijing • Brussels • Bucharest • Casablanca • Delhi • Dubai • Düsseldorf • Frankfurt • Hong Kong • Istanbul • London • Luxembourg • Madrid • Milan • Munich • Newcastle • New York • Paris • Perth • Prague • Rome • São Paulo • Shanghai • Singapore • Sydney • Tokyo • Warsaw • Washington, D.C.

Clifford Chance has a co-operation agreement with Abuhimed Alsheikh Alhagbani Law Firm in Riyadh.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.