



Department for Business, Energy and Industrial Strategy: Consultation on option to enhance the role of Companies House and increase the transparency of UK corporate entities

Finance & Leasing Association response – August 2019

Introduction

1. The Finance & Leasing Association (FLA) is the leading trade body for the asset, consumer and motor finance sectors in the UK. Our members include banks, subsidiaries of banks and building societies, the finance arms of leading retailers and manufacturing companies, and a range of independent firms. In 2018, members of the Finance & Leasing Association (FLA) provided £137 billion of new finance to UK businesses and households, £46 billion of which helped consumers and businesses buy new and used cars, including over 91% of private new car registrations. £104 billion was in the form of consumer credit, accounting for over a third of all new consumer credit written in the UK. £33 billion of finance was provided to businesses and the public sector to support investment in new equipment, representing over a third of UK investment in machinery, equipment and purchased software in the UK last year.
2. Our members use Companies House to conduct due diligence on individuals, directors and companies seeking to obtain finance including governance, financial checks and Anti-Money Laundering checks to determine Persons with Significant Control. Whilst the register provides easy access to information, the accuracy and integrity of the information provided is questionable and open to fraudulent abuse as this consultation has identified.
3. We welcome the Government's plans to enhance the role of Companies House to increase transparency. We believe that the proposals are an opportunity to prevent fraud affecting asset finance providers and their customers.
4. We urge the Government to go further than the current proposal and to share data securely not only with credit reference agencies and private fraud prevention databases but also with other trusted partners such as funders. This would allow businesses such as asset finance providers to verify the identity of directors and prevent fraudulent applications for finance. We believe that enhancing the proposals in this way would also help to prevent directors that have previously committed fraud from doing so again (7 and 15).

Anti-Money Laundering and Tackling Fraud

5. Members of the FLA have a legal obligation to take steps to prevent fraud, in line with anti-money laundering and "know your customer" (KYC) provisions.
6. However, the current Companies House register is open to abuse and can lead to fraud which is difficult to prevent. Tackling this fraud increases costs and administrative burdens for our members and their customers.



7. Therefore, we support the Government's proposals to enhance the role of Companies House and increase the transparency of UK corporate entities. This will help to limit fraud.
8. We believe the proposals will help to limit several frauds including:
 - a. Identity fraud, where individuals will impersonate company directors to obtain finance or insurance.
 - b. Disguised ultimate beneficial ownership of a business, which can be used to facilitate money laundering.
 - c. Conflicts of interest during procurement processes, including within the public sector. For example, this could be used by individuals responsible for making procurement decisions who would stand to benefit from a procurement decision.

Comments on the specific proposals put forward by the Government

i) Verifying identity

5. The FLA supports the Government's proposals to give Companies House the ability to verify the identity of directors and People with Significant Control (PSCs) on the register of companies. We would support the use of existing databases and technologies to do this, such as those used by funders in the asset finance sector including credit reference agencies (CRAs). We would therefore support the proposal that, where identity verification is undertaken by a third party including financial service providers, this is accepted by Companies House.
6. The lack of robust identity verification for directors creates challenges for FLA members seeking to ensure that the company to which they are providing funding is run by the named director and is not either an alias, a case of identity fraud or a relative or friend of a director previously banned from running a company. We would therefore support the proposal that Companies House will not incorporate a firm where identity verification of the directors has not been completed.
7. Whatever solution is selected by Government, we urge the Government to allow Companies House to share verification data with appropriate interested parties including asset finance funders during the credit application process. This should include address information, including the individual's usual residential address (URA).
8. We support the proposed requirement to verify details of any persons of significant control (PSCs) within the company at the point of registration. This will help aid the detection of companies established by known fraudsters or disqualified directors by friends or family members, a common fraud which is difficult to detect using the existing data available from Companies House.

ii) Linking Identities on the register



9. It is currently possible for an individual with an existing entry on the Companies House register to deliberately seek to mask their identity by using a similar version of their own name to create a distinct entry. For example, the same individual could appear as David Hill, David R. Hill, or Dave Hill. Individuals may choose to register multiple firms with Companies House in this way to disguise fraud. Linking identities on the register will make this type of fraud much harder to commit.
10. We also support the proposal to limit the number of directorships an individual may hold.

iii) Reform of the powers over information filed on the register

11. We support the proposal made in the consultation document that Companies House should be able to exercise a greater degree of discretion to query information submitted to the register. We support the proposal that Companies House will take a more proactive role in verifying the data submitted to it.
12. Fraudulent or misleading information submitted the register can enable other frauds and can make it easier for companies to commit fraud and more difficult for funders to detect it. We therefore agree that minimum tagging standards would also make it easier to identify and prevent fraud.
13. We also support the sharing of data with other public sector bodies, such as the UK Passport Office and the Home Office to verify identity. We would strongly support the development of an appropriate framework to allow sharing of relevant data with financial services providers such as those in the asset finance sector.
14. Regarding the proposed controls on access to directors' information, we support greater access to this information than is currently proposed. We would also propose that this access be extended to the shareholders of the company.
15. Financial services firms must often rely on the data provided by Companies House (in combination with data from other sources) to enable them to make a lending decision. If funders were able to access this information it would help to prevent fraud. It would not be necessary to make this information public, instead an enhanced service could be offered to firms meeting minimum standards wishing to access this information.
16. We would support the retention of data regarding a director's occupation. This data is often cross referenced against data held by credit reference agencies and can be used by these agencies to help verify the information provided to them.

iv) Annual Accounts

17. Directors of companies may fraudulently claim that accounts have been audited by well-known accountancy firms. We therefore support proposals to allow companies to challenge inaccurate information on the register and request that it is removed.



18. We support the proposals to limit the amount of times a firm can shorten its accounting reference period, to prevent abuse of this provision.

v) *Additional Measures*

19. We support the provisions suggested to prevent money-laundering, including the proposal that companies must notify Companies House within 14 days of a non-UK bank account being opened for the company.

George Anastasi
Senior Policy Adviser, FLA
George.anastasi@fla.org.uk
0207 420 9668