

New law bringing in a public register on company ownership

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The UK Government is bringing tough new measures into force in order to require people who are in control of companies to publish details about their identities online. The Government is reacting to a public wish for greater transparency in companies. The UK Government's Small Business, Enterprise and Employment Bill is currently going through Parliament. It places a heavy burden on UK companies to find out and publish details about who their owners are.

The UK Government is bringing the law into force in order to help tackle what it calls "*the darker side of capitalism*". Bringing company owners into the open can help prevent activities such as terrorist financing, corruption, money laundering and tax evasion. The law targets what it calls "*persons with significant control*". These are people who either own or control more than 25% of a company's shares or voting rights, or who have some other significant influence or control over the company. This is a wide definition as it aims make sure that as many people as possible are made accountable under the law.

The law will require UK companies to:

- take reasonable steps to identify the people in control of their company;
- keep and update the details about those in control of the company;
- keep a register available for inspection with ownership details;
- update the details of those in control every 12 months;
- allow the public to access the information.

It is not just companies that are caught by this legislation. Individuals who are in control of a company will have to come forward and make themselves known to the company and to the UK authorities at Companies House.

If a company fails to take reasonable steps to find out who is in control of the company or fails to keep information on this up to date then a criminal offence is committed by:

1. the company; and
2. every officer of the company who is in default.

The maximum sentence for these offences is two years in prison.

One interesting knock-on effect of this law is that it will help regulators find those who are in charge of companies more easily. It is likely that filings would also be scrutinised in the event of a bribery or fraud allegation by the Serious Fraud Office who, as we reported last month, have had recent success in unravelling the ownership of companies involved in bribery offences (see <http://www.corderycompliance.com/23-million-bribery-case-leads-to-28-years-in-jail/>). Those in charge of companies could find they are much more likely to be investigated by a regulator or by the police as a result of this new law. At the same time pressure groups and political activists are also likely to be interested in the greater ownership details the new laws will bring.

The EU sanctions regime against Russia may also be relevant under this law if it appears that a company is Russian owned or controlled. We reported on the Russian sanctions regime [here](#).

Present estimates suggest the legislation will not come into force before October 2016. However given the level of detail which will be required companies should start the information gathering process now. For some companies the task may be simple. For others – particularly those which are publicly traded – more effort will be involved. They may need to design and implement shareholder due diligence procedures to work out who owns what. Cordery has already assisted clients with this process where foreign investors with a complicated corporate structure were involved.

The UK Government has said that "*Companies, individuals and others must have a clear and consistent*

understanding of the new requirements.”

It is very important that companies act now to receive proper advice and training on what this new law means.

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