

ECCT Act – an opportunity for governance professionals

Governance professionals can support companies to meet the requirements of the ECCT Act.

Bernadette Young FCG



The position with incorporations is arguably even worse. Incorporation agents have long been subject to anti-money laundering measures which require them to verify the identity of those who have engaged them to set up new companies. Incorporation agents are also required to risk assess whether the people setting up the company are likely to use it to launder the proceeds of crime. But with no checks, the very same individuals are able to incorporate directly with Companies House quickly and cheaply.

Under the new law, some of these loopholes will be tightened, with individual directors and **PSCs** required to prove their identity and residential address before filings will be accepted. Those making the filings will also need to verify their details. At the same time, the registrar will be given new powers to correct the register where faulty data is discovered. The objective is to improve the reliability of information available on the public register, which will no doubt make it more helpful for all users, including law enforcement agencies.

For company secretaries, whether in-house or working for a professional services firm, these changes are likely to be helpful in terms of correcting errors, but also somewhat onerous. The latter is not to be feared by effective professionals whose skills and knowledge mean they will adapt well to the changes where others might flounder. Company secretaries have, to some extent, previously suffered from red-tape-cutting deregulation. These changes should not only deliver some social good, but also bring our necessary skills back to the fore.

Bernadette Young, FCG

Chief Executive - INDIGO GOVERNANCE LTD

It followed the progress of the Economic Crime and Corporate Transparency Bill through UK Parliament, as well as the government consultation on corporate transparency and register reform which preceded it.

The Act received Royal Assent on 26 October. While secondary legislation will be required to introduce some of its changes – the timing for which is not yet clear – I broadly welcome the statutory powers and obligations that the new law will introduce. They will address some of the ways in which Companies House data is compromised by inaccuracies and, importantly, plug some of the gaps in current controls on UK incorporations.

My team and I have numerous day-to-day interactions with Companies House and have sight of the records of our clients' well-run businesses. When we take on new clients, we often inherit records which are shipshape and need little in the way of further investigation. However, there are times when our

onboarding checks pick up mistakes. Nationally, there is a much more alarming degree of variability in the quality of the data recorded at Companies House. Causes are often innocent in nature – a misunderstanding, lack of knowledge or simple human error.

When mistakes are discovered, it is natural to want to correct them. While this is easier than it was in the past, making corrections to historical Companies House filings can still be extremely difficult within the context of a framework of patchy and inflexible registrar powers.

Until now, Companies House has been a repository of information received. Some checks are carried out, but these are by no means comprehensive. Certainly, there has been no obligation on, or even authority for, the registrar to identify the directors and shareholders notified to it. Such filings are accepted at face value, a state of affairs of which unscrupulous operators have long taken advantage.