Joint Select Committee on the Draft Registration of Overseas Entities Bill

Corrected oral evidence: Draft Registration of Overseas Entities Bill, HC 2009

Monday 25 March 2019
4.30 pm

Watch the meeting

Members present: Lord Faulks QC (The Chair); Peter Aldous MP; Baroness Barker; Emma Dent Coad MP; Lord Faulkner of Worcester; Lord Garnier QC; Lord Haworth; Mark Menzies MP; Mark Pawsey MP; Lloyd Russell-Moyle MP; Lord St John of Bletso; Alison Thewliss MP.

Evidence session No. 6

Questions 56 - 71

Witnesses

I: Kelly Tolhurst MP, Parliamentary Under-Secretary, Department for Business, Energy and Industrial Strategy; Jacqie Griffiths, Policy Lead on the Draft Registration of Overseas Entities Bill, Department for Business, Energy and Industrial Strategy; Matthew Ray, Deputy Director of Company Law, Transparency & Tax, Department for Business, Energy and Industrial Strategy.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.
Examination of Witnesses

Kelly Tolhurst MP, Jacquie Griffiths and Matthew Ray.

Q56 **The Chair:** Good afternoon, Minister, Mr Ray and Ms Griffiths. Thank you all for coming this afternoon. The Committee has met you before, Ms Griffiths, but thank you for your return visit. As you will know, our proceedings will be recorded by Hansard and in a webcast, and you will receive a transcript of the evidence that you gave and will have an opportunity to correct or amend anything that you think needs it.

I will ask a few general questions, but before I do so, if any of you feel like making an opening statement, that is your right, and the Committee and I will be happy to hear it. Minister, would you like to say anything to start with?

**Kelly Tolhurst MP:** Yes please, Chair. First, I would like to thank members for the way they are conducting the pre-legislative scrutiny of the Bill, and I thank the clerks. In working with my officials I have had feedback on the smooth running of the Committee and the speed with which you have been able to take evidence and move the scrutiny on. Obviously, the Government have responded to the call for evidence, and I look forward to answering questions today.

Perhaps I could just outline the context of the Bill. The UK has a global reputation as a good place to do business. Transparency International, which gave evidence to the Committee last week, assessed the UK as one of only four of the G20 nations with a very strong framework for beneficial ownership transparency. The Financial Action Task Force recently completed a landmark review of the UK’s regime for tackling money laundering and terrorist financing, and concluded that we have some of the strongest controls in the world.

However, there remain widespread concerns about the lack of transparency about who ultimately owns land in the UK where it is registered to overseas entities. The information currently available is limited to the name of the entity and the place of incorporation. We want to be clear who really owns and controls entities and the land itself.

The National Risk Assessment of Money Laundering and Terrorist Financing makes clear that the risks relating to the abuse of property are most acute where property is owned anonymously. Illicit finance underpins organised crime, which costs the UK at least £37 billion each year. Some £4.4 billion-worth of UK properties have been identified as bought with suspicious wealth.

The Bill tries to target the issue of anonymity by establishing this register of overseas beneficiaries. It compels overseas entities to register and provide their beneficial ownership details to Companies House if they own UK properties. If an overseas entity fails to comply with the registration and updating requirements, there are consequences for their ability to register the title to the land with the three land registries in the UK, and
certain dispositions with the land. Compliance is also enforced through the use of criminal sanctions.

The Committee has been made aware of the benefits of a public register like the UK’s people with significant control register. The register will be publicly available and easily accessible. As the PSC has increased trust in UK business, so the register will increase trust in the UK’s property market.

I look forward to working with the Committee over time, and I look very much forward to receiving the recommendations of the Committee after you have concluded your evidence gathering and have formulated your report.

The Chair: Thank you very much. Would the other witnesses like to say anything at this stage?

Jacquie Griffiths: No, thank you.

Matthew Ray: No, thank you.

Q57 The Chair: Thank you very much, Minister, for that introduction.

One of the issues that is concerning the Committee, and I am sure BEIS as well, is how we can guarantee the reliability of any information that will be on the proposed register of overseas entities, and in particular the verification of that information. Companies House will have the task of doing that, but it is not generally accustomed to that sort of role, or at least not to the extent that I think some of the Committee think would be helpful.

One suggestion that we have received—I am sorry that this is a long question, but it should give you a chance to comment on this—is the possibility of some professional verifying the beneficial ownership so that they, further to their duties anyway under the anti-money laundering directives, will have a duty to verify that information and will therefore be on the hook, as it were, if the information is inaccurate. The fifth anti-money laundering directive seems to demand that registered information is accurate, so we have to put appropriate mechanisms in place anyway.

That is a long question, but the Committee and I would very much like to hear your comments about how we will try to make sure that the information is accurate.

Kelly Tolhurst MP: I will start by saying—please interrupt me if you do not feel that I am answering correctly—that the fundamental aim of the Bill and what we are requiring in it is for the onus to be on entities to put their details on the register but obviously to provide evidence to suggest that they are not a beneficiary. The onus is completely on the beneficiary to provide that information. You are right to say that there may be concerns about how we verify this data.

With regard to Companies House, I would like to say from the outset—I know that you have heard evidence from it during this inquiry—that I am
currently speaking with colleagues and other Ministers about a plan to consult on a wider reform of Companies House and some of the things that it will be required to do in the registers that it currently holds, which may alleviate some of your concerns about the verification of information relating to ROEBO.

**Kelly Tolhurst MP:** The Registration of Overseas Entities Bill targets one particular area. I am referring to wider reform of Companies House. Obviously, people quite rightly want to know that the data on the register is correct and to have confidence in it.

One of the beauties of a register is the openness and transparency of the data that is on it. The Companies House register, for example, is already accessed by more than 5 million people, who are looking up data and information on it. Currently, if you are an overseas beneficiary and on the Land Registry, all you will have is your name and a place of territory. The register opens up that information. That is one of the key things.

**The Chair:** Yes, but we want to know that the information is accurate, not simply that the register opens it up. At the moment, Companies House has a slightly restricted view. We had additional written information explaining how it has various ways of becoming aware of possible nonsenses. We know that the PSC register, for example, has a history of people putting flagrantly inaccurate information on it, although we have been told that even that can be quite useful.

How are the Government going to respond to the possibility of some professional acting on behalf of the overseas entity being responsible for the accuracy of the information?

**Kelly Tolhurst MP:** I go back to my point about the wider reform of Companies House. There have, or have not been, questions about the current registers and the accuracy of the information submitted to them and the checking of it.

One thing that we are going to consult on with regard to the reform of Companies House is the validity of checks. I will bring that forward. Actually, I anticipate bringing it forward as quickly as possible. I would like to have been able to share further detail with the Committee ahead of today, but I recognise, not necessarily in relation to this Bill, the absolute necessity of verifying that data.

This has been discussed widely across government. Ministers have spoken about Companies House and the data, and obviously our wider objective is to make sure that the UK remains, and continues to be, at the top in combating this crime, but we recognise that we need to go further in giving assurances on that.

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1 Note by witness: Companies House’s register of companies was viewed more than 5 billion times in the last year.
I can understand your concern, but this is one of the reasons why we are looking at the reform of Companies House.

**The Chair:** Sorry, but you have not quite answered the question about the regulated professional. By all means defer to anyone else on that. That has been discussed, and I think that other countries in different contexts have notaries, regulated professionals, who are, as it were, on the record with regard to the information. That is further and beyond any duty that Companies House might have.

**Kelly Tolhurst MP:** Yes, but Companies House is already a regulated profession with regard to undertaking anti-money laundering checks. Part of the consultation on further and wider reform of Companies House involves testing different areas for which we would have system-wide reform. So I take your point, but Companies House is already in that space and we want to make sure that it has the right statutory framework and underpinning to make sure that it can go further and that our registers are correct.

But I am open to suggestions, which is why this will be in the form of a consultation. We want to hear evidence and to have feedback from individuals, particularly those involved. We know that a lot of people have a lot of questions.

**The Chair:** So you have not ruled out further checks or further means of verifying the information as part of this Bill, but it is certainly not part of wider action.

**Kelly Tolhurst MP:** As I have tried to express, I am looking at wider reform of Companies House. That is something that I am committed to, not just in relation to this Bill but in relation to the wider data that is held by Companies House. It is important. We need to make sure that the professions, individuals, businesses and everyone who takes part can have confidence in the registers.

That is why I am very keen to do this. As I say, I would have liked to be in a different position here today before the Committee, but unfortunately I am just not ready. It needs to be done as soon as possible, really.

**Lord St John of Bletso:** My question might be a little wide of this inquiry, but what scope is there for the Land Registry records to be put on blockchain to make it more accountable?

**Jacquie Griffiths:** Forgive me, but I am not sure that I understand what blockchain is.

**Lord St John of Bletso:** This is being done in Sweden, Ghana, Dubai and Estonia, and it gives a greater level of transparency of records. It is just one example.

**Jacquie Griffiths:** I am not aware that the Land Registry has any plans to do that. At the moment, even under this Bill you can search against any address, as I am sure you are already aware, and you then have to
pay a fee to find out who owns the land. I am not aware that it will put any more in the public domain than it currently does. It has, for example, an overseas entities dataset, which you may or may not have looked at during the inquiry. However, it is about numbers rather than actual data about the properties, if that is what you are asking—"This number of properties are owned by ... "

**Lord St John of Bletso:** It just gives a greater level of transparency and accountability. That is all it is. It obviously increases transparency and accessibility.

**Q59 Alison Thewliss MP:** Can I ask about a requirement for Companies House to be subject to the anti-money laundering directive? Under the plans that you are bringing in, will Companies House be registered as part of that just now? Third parties have to be registered under the anti-money laundering legislation, but Companies House itself is a bit of a loophole at the moment.

**Kelly Tolhurst MP:** Companies House, for the purpose of anti-money laundering, is a regulated professional.

**The Chair:** Is that right? I am afraid to say that I was not aware of that.

**Matthew Ray:** To clarify, Companies House is not subject to the anti-money laundering regulations as they stand, but it conducts many checks of the validity of information that comes to it.

**Kelly Tolhurst MP:** That is what I meant, sorry.

**Matthew Ray:** That is the point that is being made.

On your question about whether the Government will specifically bring Companies House into the framework of the anti-money laundering regulations, conversations are under way and the details will be brought forward soon in the consultation, as the Minister has already articulated.

**Kelly Tolhurst MP:** At the moment, for example, the Treasury is looking to consult on the fifth anti-money laundering legislation and its implementation, which is one of the things that are happening at the same time. There is a lot going on in this space, and we welcome that and any improvements that can be made.

Ultimately, we are bringing the Bill in, and, as I have signalled, reforming Companies House more widely, in particular to make the UK as unattractive as possible for criminals. That is a basic way of saying it.

We have recognised where the risks are. Things may not necessarily always be perfect when it comes to their being implemented, but ROEBO in particular will be the first register of its kind in the world. We do not have a framework to copy, so we are bringing this forward in the hope of making it as unattractive as possible for overseas people to commit these crimes.
The anti-money laundering directive is another of the tools, along with Companies House reform and registering.

**The Chair:** The factsheet on the directive states—I will give you a chance to comment on this—that “Member States will have to put in place verification mechanisms of the beneficial ownership information collected by the registers to help improve the accuracy of the information and the reliability of these registers”. It might be thought, in view of that, that there is an opportunity to reflect precisely that in the Bill.

**Kelly Tolhurst MP:** With regard to whether there is an opportunity to put it in the Bill, obviously the Treasury will consult more widely on how that will be implemented. During the passage of the Bill there will be opportunities to make recommendations and comments. The Treasury will consult widely on how we reach the requirements in that directive.

**Matthew Ray:** Our internal view at the moment is that the PSC register is pretty much compliant with the requirements of the new directive, the fifth anti-money laundering directive. Clearly you have looked closely at what the new directive says. It says that the national registers for beneficial ownership should be accessible to the general public, and clearly the PSC meets that test. It has certain new requirements regarding sanctions and obligations on beneficial owners, and again in our view our legislation already meets the standard.

The biggest amendment that we see possibly needing to be made to our beneficial ownership framework is the requirement in the directive to create feedback loops from the regulated professions—the banks and accountants—back to the national register. Essentially, where those banks or accountants are doing due diligence and have found an inconsistency between what they are uncovering and what is on the national register, there should be a mechanism and a requirement on them to inform the registrar.

How exactly that is done is one of the points on which the Government will need to consult. It is the main area that we see having an effect on our framework, and it is one that we welcome. It is very sensible to try to build a positive feedback loop whereby the uses of the register help us improve its accuracy as we go on, thus building in more trust in the accuracy of the information.

**Q60 Lord Garnier:** It is a long time since I had to conduct a piece of government legislation, but I remember it being important to get everything that you want into a Bill at the first shot during the development process, because it is very difficult to find a slot in the legislative programme later. I dare say that is true of this Bill. It might not be a politically controversial Bill, but it is as well to get all that we want into it at the earliest opportunity.

There are two things that I wanted to follow up on. One relates to the accuracy and usefulness of the information that will be required to be registered by overseas entities. At the moment, as I understand it,
registered owners, or shareholders in a registered owner, only have to declare bands of ownership in cohorts of 25% to 50%, 51% to 75%, and 76% to 100%.

Would it not be more sensible to make it a requirement, in order to enable the register to be more accurate and useful, for people to have to provide the actual and accurate amount of their ownership of a particular entity?

**The Chair:** Just before you answer that question, it is not entirely clear yet what the percentages are. Because it is a power, they may be required in these bands, or not.

**Kelly Tolhurst MP:** The example used in the Explanatory Notes to the draft Bill was the bandings for ownership. However, we are not using the percentage brackets in the Bill, so that will not be the case.

**Lord Garnier:** Will you now require people to give precise numbers, such as “I own 20% of this entity”, or, “I own 23% of this entity”?

**Kelly Tolhurst MP:** There will be a number of conditions. Say you have a number of shares and voting rights that currently say 25%. At the moment, the conditions include owning more than 25% of shares, and under condition 2 having more than 25% of the voting rights. They also have to satisfy other benefits.

I know that the Committee has heard evidence on this. We have not put in the bands, because you can have a very small share and potentially have significant control or influence over that entity. So that is one element: putting in the meaning of a beneficial owner on the voting rights. However, even if it does not meet those two thresholds but you still have significant influence or control, you still need to register.

**Lord Garnier:** Forgive me if I have misunderstood you, but it looks as though the information will be fairly broad-brush. I am interested in getting the utmost transparency into the Bill now rather than by later amendment when we have digested this.

Would it not be open to the drafters of the Bill to say, “This person owns 2% of the shareholdings but has 98% of the voting rights”, so that there is unassailably accurate information about the relationship between the individual we are talking about and the entity, and his or her powers within that entity? Is that not doable?

**Jacquie Griffiths:** Perhaps I can provide a bit more detail on that. We have deliberately sought for now to have the requirements as close as possible to those for the persons with significant control regime. There are good reasons for doing that, one being that it would be disproportionate to ask overseas entities perhaps to do more than UK companies.

On the exact percentages point, we have taken a power to amend the percentage thresholds should circumstances change. The Minister has
already explained our conditions at the moment. If you hold more than 25% of the shares in the entity, you will be obliged to declare that you are a beneficial owner of that entity.

**Lord Garnier:** But only to the extent of saying, “I’ve got more than 25%”. You will not have to say, “I’ve got 56%”.

**Jacquie Griffiths:** Not at the moment, because at the moment we are applying the Financial Action Task Force’s global standard for declaring beneficial ownership information. However, we have deliberately included a power to amend that should circumstances change, or indeed, even if the global definition did not change, if we realised later that we needed more, or less for that matter. We do not consider that knowing the exact percentage that somebody owns necessarily tells us more about how much influence or control they have.

**Lord Garnier:** Because they could be nominees.

**Jacquie Griffiths:** Nominees are catered for in the Bill, so if you are a nominee shareholder the name of the beneficial owner of those shares should be the one that appears on the Companies House register, if I can just reassure you on that.

We do not believe that with the world-first, ground-breaking register that we are trying to put in place it would necessarily be helpful to use non-globally understood, non-global standard definitions; nor do we necessarily believe that it would give us more information.

As the Minister explained, we have our condition 4 on beneficial ownership, which is worded: “Condition 4 is that X”, the beneficial owner, “has the right to exercise or”, more importantly, “actually exercises significant influence or control over Y”. That is specifically to capture somebody who owns 5% of the shares but who for historical reasons—they may be the patriarch or matriarch of the family—makes all the decisions.

As I said, we are just not convinced that, for this Bill at this time, it would be right to insist on exact percentages anyway, and because they might be more difficult for more complex entities to work out—there is that burdensome thing as well. However, I reassure you that we have deliberately included a power in case circumstances change.

**Lord Garnier:** The policy surely must be to ensure that those who are overseas entities, be it human beings or other forms of legal personality, are available to be discovered so that we know who owns what. That is the trick, is it not? While it might be inconvenient for the registrant, and indeed for the Government, it must be fairly essential to get to the nitty-gritty of this and work out a system, a mechanism, which—

**Jacquie Griffiths:** I am sorry if I have given the impression that we are not doing it because it is inconvenient. That is not the impression that I meant to convey.
Lord Garnier: No, that is my word, not yours. I am being unfairly provocative just to jog you along.

Jacquie Griffiths: Our reasons for doing so were twofold: first, because we wanted to be consistent with the persons with significant control regime—there are very good reasons for doing that, as I am sure you can appreciate; and, secondly, because we decided that for this register we would stick with what are for now the Financial Action Task Force’s global norms for interpreting beneficial ownership for the purposes of registering on a register.

Matthew Ray: I do not think that the purpose of the Bill here is to try to catch people out—for example, they have a 56% shareholding but in error or for some other reason have put down 55% or 57%. The purpose here is obviously just to capture whether someone is a person with a controlling interest over the company or not, or the entity or not, and thus whether they are the person benefitting from the property. I am not sure that getting to that granular level of control adds that much to the transparency point.

Lord Garnier: Are you telling me that the information that you hope to gather will be information that actually means something?

Jacquie Griffiths: Yes. We are seeking to find the decision-makers for those entities, whether they own 5% or 95% of the entity.

Lord Garnier: Okay. There are just a couple of other points. Other witnesses have asked us why there is no requirement for the nationality of the individual or their status as a politically exposed person to be given. Do you think that is covered already?

Jacquie Griffiths: I am not entirely sure what nationality would add, but is an interesting idea. The status of a politically exposed person could be a bit controversial, could it not, because how would you capture that?

Lord Garnier: Well, we deal with controversy in Parliament.

Jacquie Griffiths: I suppose we could say in guidance “if you are X, Y or Z”, but I am not sure that you could capture everybody that way. They are interesting ideas. If you are a politically exposed person now, and you are on the register and have noted that you are a PEP and whether that is public information or not, what happens when you are no longer a PEP?

Lord Garnier: Then you put in another return. This leads on to my next question—and my last, I promise you. At the moment, I think, it will be an annual requirement to update. I register my overseas address on 1 January, but on 2 January it has changed. However, I do not have to do anything about that until the following 1 January, as I understand it. So for jolly nearly 12 months the register is inaccurate, as far as I am concerned.

Should there not be an event-based requirement, so that every time there is a significant change that change should be notified to the
Kelly Tolhurst MP: You are quite right, and, as I say, if you register your entity on the 1st and there is a change on the 2nd, you have right up until the 1st of the following year to do a return. We believe that event-driven updates will increase uncertainty for investors in and parties to the sale, lease or transactions with regard to land.

Lord Garnier: Why does it create uncertainty?

Kelly Tolhurst MP: One requirement will be for an entity to have a valid number that will have to be lodged at the Land Registry. The people using that information on the register need to have confidence that when they making these transactions, which are sometimes quite complicated and time-consuming, they have an ID and are registered at that particular time.

There is nothing to stop an entity updating its register within that timeframe, which will give it another 12 months, so it can do it early. There is nothing to prevent it updating its registered ID, but it is very important that the people who are using the register have certainty, at that particular time for the purposes of this, that it has valid ID.

The Chair: Can I just ask you one question about condition 4, Jacquie, which you referred to? Condition 4 is one of the conditions under the definition of beneficial ownership. It says that, “X has the right to exercise or actually exercise significant influence or control over Y”. I think you suggested that that might catch someone who does not reach a very high threshold of ownership but is nevertheless responsible for the way the company or entity is being run.

That is all very well—they would be a beneficial owner and would therefore be captured by the Bill—but they do not have to identify themselves as a beneficiary, notwithstanding the disadvantages, unless they decide to do so. Would it not therefore be a good idea to have somebody, a third party, verify who is actually exercising control—coming back to the question I asked the Minister—so that we know who the person is?

Jacquie Griffiths: In your question about the regulated professional it was not clear whether you thought it needed to be a UK regulated professional or some other regulated professional. We can see the attractions in that for any number of reasons, some of which Committee members have mentioned. However, there are a couple of points to make here. First, if we decided that it had to be a UK regulated professional, we would then have to decide what kind of professional.

The Chair: What about one regulated under the UK anti-money laundering regulations?

Jacquie Griffiths: Yes, we could go quite widely with that kind of definition: solicitors, accountants, estate agents, lawyers—they could be all sorts of people.
At the moment, the stakeholders have told us that the vast majority of those who undertake land transactions in the UK, particularly high-value or complex ones, will already be using a UK regulated professional—usually, in England and Wales, some kind of conveyancing solicitor, a solicitor in the other jurisdictions.

So we consider that there is already due diligence. We have considered whether we would want to make due diligence compulsory, but that might be easier in some jurisdictions of the UK than in others, for one thing.

We also need to take into account what it would add to the burden on overseas entities seeking to invest in the UK. We are trying hard to strike a balance between getting the information that we need and making sure that it is valid and accurate, but also not disincentivising people from, say, having to pay extra money to have a UK professional verify their identity. At the moment, we are on the side of sticking with what we have.

The Chair: But are we not talking here mostly about high-value properties from overseas legal entities? Are we really worried about the possible inconvenience and expense of this?

Jacquie Griffiths: There is something about equality of treatment, though, that we need to bear in mind. When we are balancing all this, we need to think about the potential for discriminatory treatment or it being regarded as such. We are trying hard to strike a balance between keeping the Bill as robust as we can and breaching any of those conditions. That is not to say that they cannot be breached—there are certain instances in which they can—but we are seeking the best balance that we can have, which is why currently we have come down on the side of no regulated professional. Does that help?

Lord Garnier: Is there not the argument—I don’t think we need to be too precious about this—that you are comparing one oligarch with another oligarch?

Jacquie Griffiths: It is probably prudent to point out that the vast majority of overseas entities holding land here are probably legitimate. Although we are doing this for a particular reason, many of those entities are legitimate, and we are trying to find that balance.

Lloyd Russell-Moyle MP: Apologies for arriving late. You have mentioned a number of times the person of significant control regime and how you want parity with that. If you are a registered company, you have to fulfil the person of significant control regime, but you also have to give updates within a number of months on the exact percentages of shares that you have issued and the names of where those shares have gone.

I live in a house that is owned by all 20 shareholders in the flats, and I have to fill in the forms every time. If I do not do it within a month, I get a slap on the wrist from the regulator. Surely equality, which you
mentioned just now, is providing the detail of where every single share is issued. That is what a British company would have to do. Just to understand, you are talking about equality with the PSC but you have not recognised that there is another counterpart to that which you are not seeking equality for.

Kelly Tolhurst MP: To start with, the difference is in identifying controlling interests in UK companies. The difference with what we are requiring in the Bill is in establishing who the beneficial interested parties of a piece of land are. If we hold in our minds that the predominant focus of the Bill is on trying to make it difficult for criminals to use UK land for money laundering, it is different because, while we have gone for the percentages, it is about establishing who the individuals with significant control are.

With regard to the percentage rate, as Jacquie has already outlined it does not necessarily mean that that person is the controlling person of that land. It is slightly different, because obviously with UK law we need to understand who the owners of the UK companies are.

Lloyd Russell-Moyle MP: I get that you are saying that for the UK companies we need a bit more information, so we will be lighter touch with foreign companies, but that is totally different from what you have said in all your previous answers. There is a real inconsistency and problem there.

The other issue that I want to raise with you is regular updating. My honourable friend here asked about it, and in your answer was a case for why you would want it, which is that it would give uncertainty if buyers did not know who the real owners were, and so on.

That is a reason for regular updating and against annual updating. Can you give me a reason for annual updating, or would you consider putting regular updating in the Bill? You have not given a reason. I do not want to be rude, but what I heard was a reason in the opposite direction.

Matthew Ray: The point about providing certainty in transactions is that if you are making a purchase from an overseas entity, you and your solicitor obviously want to be absolutely certain that the entity with which you are transacting is, throughout that transaction, a legitimate, law-abiding and registered entity under the new law.

Our concern about an event-driven approach—you are absolutely right to point out the disparity with the PSC regime—is that it adds to the likelihood that that entity might at some point not be a fully lawful registered entity. If, say, we introduced a rule saying that you have to provide us with updated information within 14 days of the information changing and they were, for whatever reason, a bit slow in doing that, that would add a legal question mark as to whether they were therefore a lawfully registered entity, which might put question marks in the mind of the purchaser of the land from that entity.
Lloyd Russell-Moyle MP: So it is a kind of “don’t ask, don’t tell” policy—it is better that we do not know that there might have been some changes in ownership, because then no questions will be asked later on.

Matthew Ray: I do not think that is a fair representation of what I have just tried to articulate. We need to bear in mind that this is also different from PSC in that we are proposing a pretty significant sanction here with regard to taking property rights away from that entity. PSC has various offences associated with it that are in keeping with general filing offences under the Companies Act.

To take away from someone their right to sell or lease out their property is a pretty major step, and with that in mind we have taken steps to move away from a direct mapping on to the PSC approach. We need to take great care when we are talking about potentially disrupting property transactions for both the seller and the buyer.

We think it will be better for both parties, including the innocent buyer, if they can be absolutely certain when they look at the register that, “Right, this entity was due to file its annual updates last January. They did it. Fine, we can transact with this body”. With an event-driven approach, there will always be that slight worry in their mind: “How do we know that they are keeping their information up to date?” There will be no way of knowing that for certain.

Lord Garnier: But surely there is the equal worry on 2 January: “How will I know that it will not be changed in the next week and I will be dealing with an entity that has registered something inaccurately?”—not maliciously, but it just happens as a matter of fact to be inaccurate from the second week of January.

Can we not find a balance here? What about making sure that it is updated every quarter or every six months? A year is a long time, even for quite a big transaction.

Lloyd Russell-Moyle MP: Or we give them slightly longer to update their information, understanding that a foreign entity might need more than 14 days—it might need 30 days or 60 days—not this “They were okay a year ago” kind of approach. Has that been considered?

Matthew Ray: Should we just say a bit about the stakeholder reactions?

Jacquie Griffiths: We went for annual updates, because when stakeholders undertake a lot of transactions with overseas entities, which tend to be very large and in many cases commercial property transactions, they can take well over a year. They told us—I think it was in the 2017 consultation—that they would have preferred updates every two years and that event-driven updates would create so much uncertainty for them that it could disrupt transactions.

That was why, after the consultation, we finally settled on an annual update, hoping—as we are trying to do all the time with this quite
controversial policy—to find the balance between making something as robust as we can and not interrupting legitimate transactions. It is a tricky balance to get and we absolutely get your point, but we also need to be realistic about the implementation of this and what it might mean for some people.

**Baroness Barker:** As we understand the situation at the moment, Companies House tells us that it does not have much capacity or power to determine whether the information it is given is accurate or not. It is reliant on as much information as it can piece together.

One piece of information that could be significant would be a significant turnover of changed detail, would it not? I am quite prepared to accept that some bits of information may not be as indicative of a fraud as others. Would you therefore accept that we might need to look at the different elements of information that you are asking about? Could a change of over 25% of the registered shares, for example, be considered a significant event, as opposed to a change of whoever is acting as the UK lawyer or accountant?

Lord Garnier asked about registering nationality. What do you think of the requirement to register where the owners are domiciled for tax purposes, rather than their nationality?

**Kelly Tolhurst MP:** I would also highlight, to make it clear, that the Bill gives the Secretary of State a power also to change the update period. If it is suggested that an update period is changed, the Secretary of State has the power under the Bill to do that via secondary legislation.

Your point about significant details that might warrant different changes is well made. Some of the things you outlined would definitely have more significance than a name or something like that, and we can consider that. I said at the outset that we have given the reasons why we are where we are. This is pre-legislative scrutiny; we have decided to do it this way to get feedback from the Committee and will look at those suggestions. I cannot give you guarantees here today, but we can absolutely look at that and test it to see whether it has any validity. Is that okay?

**Q64 Lord Faulkner of Worcester:** Going back to something you said a little while ago, Minister, you made the point that the 25% threshold might not capture organisations, firms and individuals who perhaps had only 10% or 15% of the ownership but were exercising significant control. That is very much in line with some of the evidence we have been receiving from the transparency organisations. They told us that they would favour either very low thresholds or none at all. Are you prepared to look at that?

**Kelly Tolhurst MP:** Yes. As I say, I am open-minded and look forward to seeing your report about that. Those two elements are within the meaning of a beneficial owner and we can play around with the
thresholds, but fundamentally that is why we have that condition, which has no percentages attached.

The whole point of having a very wide, broad-scoping definition of beneficial owner is to make sure that we capture anybody who has any control of that entity. It does not necessarily equate to the position of share ownership. It could even be somebody who does not control voting rights—who does not have a 25% or even a 5% share. This is about making sure that we keep the definition as wide as we can: to catch—excuse the phraseology—anybody that has a significant degree of control.

This is one of the things that we are keen to do. We are just starting the Bill. We are looking forward to bringing in the register in 2021, which is obviously some time away. The intention is to work on guidance on significant influence of control and make sure that we keep up to date with it. But the whole essence of it is to keep it so that everyone is captured.

**Lord Faulkner of Worcester:** Are you confident that your definition of beneficial owner is flexible enough to capture the genuinely true beneficiaries?

**Kelly Tolhurst MP:** We believe so, which is one reason why we have deliberately tried to keep it flexible—to capture the individuals who are beneficiaries of the entities. That is why the significant influence and control condition is in there. It may not equate to having any shares or particular voting rights.

**The Chair:** Lord Faulkner, do you want to ask about pre-1999 and pre-2015 Scotland entities? They are, of course, before the obligation to register, but information is still available. Do you think it might be worth extending the provisions in the Bill to cover this, Minister?

**Kelly Tolhurst MP:** You have obviously taken evidence about the registers and access to information prior to 1999. We have stuck to 1999, and 2014 for Scotland, because while there is a suggestion that some of those individuals, entities or beneficiaries can be identified, it is not clear that everyone could confidently be identified.

There was obviously a need to notify at that time, so we can be clear that people are then approached and asked to comply with the regulations. It comes down to fairness. It would be very difficult, and it might be unfair to subject to this some who are being identified and some who are not. That is why we have put those dates in, and that is the rationale for it.

**Lord St John of Bletso:** In cases where it is difficult to define an overseas entity for the purposes of the draft Bill, is there a need for an adjudicator?

**Kelly Tolhurst MP:** We have not considered an adjudicator for the Bill, because, as I outlined in my answer to an earlier question, the onus is on the beneficiary, the entity, to provide that information. There are many different entities globally that could constitute a legal entity. The entity...
itself should know whether it is a legal entity in the country in which it is based. Therefore, there would be no need for an adjudicator, because the onus is on the entity to make sure that it either registers or provides evidence to show that it is not.

**Lord St John of Bletso:** Clearly, professionals are likely to err on the side of caution and recommend registration if they are uncertain, but there will be cases where entities may believe that they do not meet the requirement to register which statutory bodies such as the Land Registry would.

**Kelly Tolhurst MP:** Obviously, there are different entities. If you are a legal entity, you will need to apply for registration. The individuals concerned will know that they are a legal entity in the country in which they are based. Therefore, we may adapt guidance and examples, but we cannot possibly dictate all those potential entities. The onus is on the entity. It needs to assure us that it is legal. It will not be down to Companies House to test that; the onus is on it to provide that evidence.

**The Chair:** Is it always that straightforward? There are lots of different jurisdictions. People might argue that they are not an overseas legal entity and Companies House may say, “Yes, you are”. There could then be a disagreement, because if you are a legal overseas entity you have obligations under the Bill.

**Jacquie Griffiths:** If an entity truly believed that it was not a legal entity in scope of the Bill, Companies House would never hear about it. That is because they would not go to register.

**The Chair:** What if they said, “We don’t think we are, but we would like you tell us”?

**Jacquie Griffiths:** Companies House would go back and say, “No, you provide us with the evidence that you have that you are or are not”.

However, just because Companies House does not know about them does not mean that they can get away with anything. If they then apply to register title at any of the three land registries and believe that they are not a legal entity, they must provide evidence that will satisfy the relevant land registry. Whether it would be some kind of solicitor’s certificate or articles of association, this would be written into guidance.

We are still consulting stakeholders and delivery partners on that. The onus would be on them to show that they were not a legal entity or were exempt. However, we believe that the definition is broad enough for it to be a rare entity that did not know its status. We do not think it would necessarily be a big problem. If it was, you could have questions about the entity.

**Matthew Ray:** To put it simply, if you are proposing something on one of the three land registries and there is not an individual’s name, questions will be asked.
Emma Dent Coad MP: I sense a bit of reluctance to tighten up the rules to stop people with evil intent. We know that we have plenty of benign oligarchs with forgetful lawyers in Kensington and Chelsea. There are 6,000 properties with no known owner, many of them empty, and that has a serious effect on us.

Apart from the teams of forgetful lawyers, we also have some genuine crime lords looking for loopholes. I am very worried about this issue of trust generally. The Bill does not cover trust, but the fifth anti-money laundering directive does. Will the Government implement the directive even after a no-deal Brexit?

Kelly Tolhurst MP: My understanding is that, yes, they will. As I said at the beginning, and I stand by it, we have shown that we take this matter seriously. Tackling money laundering in the UK is a priority across government. That is another element in our toolbox. As I have already outlined, the Treasury will consult on its implementation. Yes is the answer.

Emma Dent Coad MP: In addition, will anyone holding land in a trust have to register details of their beneficiaries, including those with discretionary trusts? I am looking for loopholes, because they will have highly paid, forgetful lawyers or very cunning lawyers finding their way around it. The issue of trust is going to be a get-out.

Kelly Tolhurst MP: Obviously, a new trusts register will be developed that will come in before this Bill, if it is passed, for 2020. HMRC will administer it. It is about identifying individuals in the trusts who have land ownership in member states and relates to the directive. That will be implemented here.

On the register of overseas beneficiaries, if an entity is owned by trustees or the beneficiaries of that entity are trustees, they would still be registered as part of this legislation. I will try to explain it as best as I can. If the beneficiaries of the entity are a trust—a trust is not a legally defined group; obviously, it is a set of individuals—all those beneficiaries will be registered for the purpose of this Bill.

Jacquie Griffiths: I will expand a little on discretionary trusts and express trusts.

As the Minister rightly says, the HMRC registers will cover both those things and include settlers and beneficiaries. It will include discretionary trusts because there is no distinction in the approach to registration depending on the type of trust. As the Minister has already said a couple of times, HMT intends to consult imminently, so you will be able to see that for yourself. I hope it will provide even more reassurance for you that the expansion of registration requirements is to all UK express trusts and all non-EEA trusts that acquire real estate in the EEA. So for UK purposes, you can read that as non-UK trusts that acquire real estate in the UK; it does not matter where those trusts are based. It includes discretionary trusts.
HMRC already has a register of trusts that incur a UK tax consequence. Such trusts are not necessarily based in the UK. In the vast majority of cases, any trust on whose behalf land is held will incur a tax consequence on that land via the annual tax on enveloped dwellings. Therefore, it should already be on that register at HMRC.

I hope you can be reassured that, while it may look to you as if trusts are completely excluded and we are letting them go, HMRC has it covered. HMT will consult on the implementation of that imminently.

Emma Dent Coad MP: Do you think that HMRC has the resources to enforce this proactively rather than reactively?

Jacquie Griffiths: I am not sure that I can comment on that.

Matthew Ray: I think that is a question best put to colleagues in the Treasury.

The Chair: I suppose that with discretionary trusts there is a difference between who is named as a potential beneficiary under the trustees’ rights to distribute, but there is a difference between that and who actually receives the income. The register will not tell us that, will it?

Jacquie Griffiths: As far as I am aware, it will list settlors, beneficiaries, trustees and protectors. In among all that, one would hope that there would be the information you are seeking as regards to whom a trust is actually distributing money.

Mark Pawsey MP: Good afternoon. In addition to trusts there are some exemptions in the draft Bill. The Committee is concerned to make certain that those exemptions do not become loopholes. Are you satisfied that the existing exemptions will not create loopholes?

Kelly Tolhurst MP: Yes. The conclusion we have come to is that they should not create any loopholes. We have included a power to exempt on certain types of entities, and obviously there will be a power under the Bill to make those exemptions. Any exemption would have to be tightly defined, but there are no current exemptions in the Bill.

Mark Pawsey MP: Clause 30(6) of the draft Bill gives powers to the Secretary of State to exempt where the Government consider that it would not be appropriate to require that type of overseas entity to comply. The example given is foreign Governments or public authorities. Why should they be exempted?

Kelly Tolhurst MP: In some cases, even if a foreign Government were exempted as a beneficiary of an entity, they would still come within the scope of this Bill. If it was a Government directly owning a piece of land, for these purposes they would appear in the land registry register as the owners anyway.

There is a way of identifying who the individual or the entity is. We are still looking at public authorities and testing what we may need so as to
decide whether there is the potential for an exemption. Again, one of the reasons why it is not in the Bill is because we need to make sure that any exemptions that are applied are tight and do not create loopholes, because that would destroy the whole intention of the Bill. That is why we have put that in the Bill: so that it can be dealt with through secondary legislation.

Also, if we were to exempt Governments now, or if we decided to do so in the future, if that was already in the Bill at this point it would make it difficult for us to go back and put through primary legislation to try to make changes if things change. Things can change quickly, so we want to be in a position where we can act relatively speedily.

**Mark Pawsey MP:** Thank you, Minister. Clause 16 provides for the Secretary of State to exempt persons if there are special reasons. What would those special reasons be, and would the grounds for such reasons be set out in the regulations that you have just referred to?

**Kelly Tolhurst MP:** That would be used very rarely and on the basis of national security or something like that.

**Mark Pawsey MP:** What reassurance would there be for the general public that those measures would be used rarely? On the face of it, a Minister could bend the rules, and suddenly the benefits that we are hoping to achieve from this legislation might be lost.

**Kelly Tolhurst MP:** Absolutely. I believe that there would be further guidance. Also, as I think I have outlined, that power will be brought forward via secondary legislation, so it would have full scrutiny. It would not be done as a side point; it would need to be done through secondary legislation.

However, it is important to have the power in case there are legitimate and genuine situations where a person or people have to be exempted for reasons of national security. That is not an unusual concept.

**The Chair:** Whose national security?

**Kelly Tolhurst MP:** Our national security, I would hope. That power would be used rarely. Personally, I would find it hard to understand—

**Mark Pawsey MP:** The check on the abuse of that power is the fact that there would be a statutory instrument.

**Kelly Tolhurst MP:** Absolutely.

**Baroness Barker:** Can I just follow up on that point? In UK domestic law HMRC operates an exemption under Section D, and that applies to individuals. There are certain individuals whose information is not made available. They are treated as special exemptions, but that is not done solely on the grounds of national security. Is what you are talking about, based on a similar system?
Kelly Tolhurst MP: I am not familiar with that section. The intention behind having the power that gives the ability to exempt is for us to have the option to do so if we need to act in that way. If we were in a position where we had to exempt, if the power was not in the Bill we would have to do it through primary legislation. That would be very difficult to do. We are trying to future-proof this legislation in some respects so that we can adapt to changes. On that particular point, I am happy to offer the Committee more advice on our thinking and how it relates to the particular legislation that you have outlined.

The Chair: I think that in fact Clause 16 does not have parliamentary scrutiny. It simply gives the Secretary of State the power to exempt a person. As you rightly say, there are special reasons why someone should be exempted, but actually the Secretary of State will have a power under the Bill as it is currently formulated simply to say, “I do not think it’s appropriate for you to register, because you might be at risk in your own country”. It could be something of that sort. That is why I have mentioned other people’s national security. A foreign owner might say, “I don’t want to be identified”.

Jacquie Griffiths: That would have to be applied for under a different part of the Bill. It would be done under the so-called protection regime. Someone can apply saying that they would be at risk in their own country. Clause 16 allows the Secretary of State to make an exemption in special circumstances. It is the national security exemption on which we are not able to give further details. The protection regime is that under which a beneficial owner who would otherwise appear on the public register can apply to the Secretary of State saying, “I am at risk for these reasons”. That does not prevent them from giving the information, which is really important, but it will be suppressed in the public register. That is a slightly different thing.

The Chair: Thank you, that is very helpful.

Lloyd Russell-Moyle MP: In what circumstance, be it national security or whatever reason, would someone need to be exempted rather than repressed from the register? I understand the reasons why details may not be made public, but I cannot think of any reasons why the Government for national security reasons would not at least need to hold or want to hold the data. Can you explain why there is the possibility of exempting rather than just the repression, which seemed perfectly acceptable to me?

Jacquie Griffiths: I would explain it in terms of the notices that are required to be sent. If there was an individual who, for whatever reason, could not be seen to be associated with an entity, we would not wish them to be required to respond to those notices, because that might associate them with the entity, to the knowledge of the entity or people within it.

I am sorry that I cannot be much more specific. I understand what you are saying about the Government knowing. The Government would know,
because it would be the Secretary of State who would be exempting them.

**Lloyd Russell-Moyle MP:** Who will be exempted? Are we talking about individuals?

**Jacquie Griffiths:** I am not aware of any circumstances. Matt and I talked earlier about whether we had used this in PSC. We do not think it has had to be used yet, but it is there for a couple of very specific reasons.

**The Chair:** That is very useful. It would be very helpful if you could tell the Committee if that is the case.

**Jacquie Griffiths:** I am afraid that we may not be able to tell you if it is the case, because we may not have the clearance to know, but we can ask the question.

**The Chair:** Asking the question would certainly be helpful.

**Q69 Mark Menzies MP:** Minister, does the Bill pose any risk for third parties?

**Kelly Tolhurst MP:** We are very mindful of the fact that, with some of these issues, the Bill could create risks in relation to third parties who may get caught up in it. Examples might be purchasers or leaseholders, where restrictions on land in the middle of transactions may cause innocent third parties to become wrapped up in difficult situations.

That is why we included some exceptions in the Bill for third parties in pursuance of a statutory obligation or court order, or for a charge-holder or receiver exercising the power of a sale or a lease, so that a third party would not be deliberately disadvantaged.

**Mark Menzies MP:** On that point, what protection is there for the innocent and unsuspecting purchaser who has paid the purchase price but cannot register the title?

**Kelly Tolhurst MP:** If there was already a registered entity, it would be denoted on the Land Registry anyway, so they would know straightaway that the entity would fall under these rules. We obviously hope that the legal professionals would do the due diligence checks for those individuals. So that would obviously be followed through.

That is why we are looking at having the powers to exempt the block on the registry: so that those innocent third parties do not fall foul or lose out completely, or are at fault for not being registered, or there is a difficulty with the entry.

**Mark Menzies MP:** Another category—I have raised this with previous witnesses—is tenants of a non-compliant landlord. If they are paying their rent, they think everything is as it should be, but in fact action is being taken against the landlord without the tenant’s knowledge. What risk could that tenant find themselves in?
In the worst case, for example, could they find themselves being evicted from the residential property or shop that they have rented? Could they suddenly find themselves caught up in it and threatened with eviction? At what point could that tenant be notified that the property they lived in, and were paying rent on, was subject to proceedings?

**Kelly Tolhurst MP:** The example you have just outlined is one of the reasons why, through the Bill, we are looking at the power to disapply any land restrictions where the third party is stuck in this difficult situation through no fault of their own. That is the reason for the exceptions to the Bill where a court order is made, for example if someone has entered into a contract or the entity was registered at that time and there is a charge.

You are quite right; we are very conscious of this and I have posed the question to officials. There are lots of different examples. We can all come up with a scenario where an innocent third party could be caught out. That is why, as part of this process, we are looking at this power. If we can, we will put in a power to disapply.

**Mark Menzies MP:** Just so that I am clear in my own head, would there be any ability for that tenant to be informed that all was not right? Let us go back to the situation where someone has rented a property for a considerable number of years. During that time, the beneficial owner of the property has changed, or has become a subject of concern. The tenant continues as if everything is normal. Then one day they get an enforcement notice, or a knock at the door, and suddenly find themselves caught up in this morass.

**Kelly Tolhurst MP:** My understanding is that, in that example, if the entity was not a legitimate entity during the period when the individuals were renting the flat, there would be restrictions on the sale, lease or change relating to that land. Although they would have uncertainty about the particular entity, it would not necessarily have a direct impact on them unless they were in a lease situation or something like that. If it was a straightforward renting situation, they would not necessarily be adversely caught up. There would be restrictions on any changes to the land at that time, so nothing can happen; it does not affect them directly.

**The Chair:** It does not affect them directly.

**Kelly Tolhurst MP:** You are quite right; it does not. I have asked quite a lot of questions about a number of scenarios, because I see that there is a risk. You are right that there is a larger proportion of residential than commercial properties. That is why we are investigating and looking further into the power to disapply. I would hate innocent individuals in those situations being caught out. Is there anything further, Jacquie?

**Jacquie Griffiths:** No, you have explained that perfectly. It is not our intention to disadvantage innocent third parties, as we have explained before. We completely appreciate that some people will not get it, so we
also want to try to communicate as widely as possible about the requirement to check before you enter into transactions.

In the example you gave, as the Minister has aptly described, the adverse effect on the tenant is that they cannot register their lease, rather than any risk of eviction. We would not necessarily expect somebody to bang on the door telling them that they had to leave, for example, but I am not saying that not being able to register their lease would be a nice thing.

**Kelly Tolhurst MP:** We have quite a long lead up to the Bill coming forward and the register happening, so one of the other things we will have is a communications plan, and we will even think about making sure that we advertise, and not just through the traditional estate agents and professionals; we might look at running a campaign on Gumtree, and so on, to reach people who would not necessarily tap into legal professionals, so that they understand when they sign up to something that if it comes under this register some things might change.

**The Chair:** Thank you very much. You have been very generous with your time. We are coming to an end, I assure you.

**Peter Aldous MP:** Taking a similar line to Mr Menzies, some of our witnesses have expressed concern that the unsuspecting purchasers or entities could be caught up by the Bill’s requirements or could fall foul of them, but that those who wish to avoid them would be able to do so. One of our witnesses, Mr Keatinge from RUSI, said that, “There are myriad ways in which one could wriggle out of the measure” requiring registration. Have you taken this into account in the drafting?

**Kelly Tolhurst MP:** You are asking me whether I think there are myriad ways in which people can avoid coming under the Bill. If someone is a true criminal and their intent is to circumnavigate it, I am not sure that any Bill could legislate against that to completely stop anyone doing so.

At the moment, we do not have anything in place—this is a new register—so we will be in a better position after the implementation of this Bill. We have the broad scope and definition of who is a beneficial owner, which helps us not to limit who that beneficial owner could be.

Also, remember that under the Bill there could be criminal sanctions, and sanctions on land. The whole point is to encourage compliance and transparency. It would be very difficult in any Bill to completely and utterly weed out people who are dead set on criminal behaviour, but this is a step forward in tackling that.

**Matthew Ray:** I agree with all that. None of these registers can stop people lying, but they can make it more transparent and obvious where someone is lying.

**Kelly Tolhurst MP:** Although the transparency will be there for those individuals, even if for example someone is being put up to say that they have a controlling interest, this—together with information sharing and
our enforcement agencies—is just one of the tools that we know work together to combat criminality, money laundering and all those things. This will add part of the intelligence. Things may be picked up in this register that ring bells with our other law enforcement agencies, and this might help. Some of these criminals may not necessarily be charged with these particular offences, but this law will make it easier for enforcement agencies to gather the information required to take action.

**The Chair:** As we have heard, it is part of the overall toolbox that enforcement agencies and the police have, together with unexplained wealth orders and a number of other powers.

One of the questions that arise from this is whether the restrictions are proportionate. Although we are obviously keen to catch people who we want to catch, there are some innocents who might be caught by the perhaps arguably onerous restrictions. Are you satisfied about the proportionality involved?

**Kelly Tolhurst MP:** Yes. I believe that the restrictions that are being put in place under the Bill are proportionate and strike a balance, and that we are putting enough restrictions in place to carry out the intent of the policy, which is to stop criminals. However, we are looking a bit further on the power to disapply, because we are concerned about any third parties being swept up in this.

You have heard a lot of evidence over the three weeks you have been sitting, and I would welcome any comments that you have on that.

**Peter Aldous MP:** On that, I assume that you have looked at the anti-money laundering directive’s permissions with regard to proportionality and you are satisfied that if this ever got tested in the courts your permissions would not be declared incompatible with that.

**Kelly Tolhurst MP:** The information I have, which I have tested with my officials, is that we are satisfied that our requirements here are proportionate.

**Peter Aldous MP:** My final point is that fines in England and Wales can be enforced against land, but that is not the case in either Scotland or Northern Ireland. In that context, have you discussed any such sanctions with the Scottish Government, and with regard to Northern Ireland have you considered extending such sanctions there for the purposes of the Bill?

**Kelly Tolhurst MP:** We have not explored this as such, because the powers do not already exist across the whole of the UK. The criminal sanctions in Scotland and Northern Ireland would be a fundamental change, so any devolved Administration would need to be comfortable with that new concept and the unintended consequences of that. It would need careful consideration, and we are not sure that the Bill would be the right framework for that.
Peter Aldous MP: So you have not discussed it with the Scottish Parliament.

Kelly Tolhurst MP: No, we have not.

Q71 The Chair: Thank you all very much for your time; you have been very generous. As you can see, the Committee had a lot of questions and is very engaged on this piece of legislation. We understand that it is a ground-breaking piece of legislation, which is why a number of areas remain untested.

Are there any other matters that any of you would like to draw the Committee’s attention to at this stage, either as a result of evidence you have heard or any further thinking on what is going on?

Kelly Tolhurst MP: I would just like to say that this is a step change; it will be the first register of its kind in the world. We are committed to making sure that it is right, which is why it has not been brought forward in a finalised Bill.

We welcome what the Committee has to say. It is right that these things are tested—we want to get the best out of the Bill—and we look forward to further engagement with you. I mean that genuinely. I would have loved to have been here to discuss further Companies House reform with you and how we see that—in answer to some of your first question—as I am particularly interested in that area. I hope that will become clearer as soon as possible so that you can feed back further as a Committee on that basis at a later date.

The Chair: Just one small point. When the Bill team gave evidence, members of the Committee asked if it might be possible to see some kind of mock-up of the register so that we could have an idea of what it might look like and what the user would need to deal with. If it would be possible for the Bill team and your department to send us something, that would be useful. It may not be possible, but it would be helpful.

Jacquie Griffiths: We apologise that you have not received that already. We are meeting with delivery partners on Wednesday.

The Chair: Thank you very much indeed. The Committee is grateful for your evidence, and we hope to provide some further scrutiny.