I would like to thank the Joint Select Committee for the opportunity to provide evidence on this matter. As requested please find below the information that I offered to follow up in writing.

I have answered each of the questions you set out, but I have also included additional information in order to provide the Committee with the broader context.

Committee’s questions during oral evidence session

The Committee asked what fines are issued as a result of false information being provided. The delivery of false or misleading information does not incur a civil penalty, but it is an offence and may result in a fine or imprisonment upon conviction. When we become aware of inaccuracies in company or People with Significant Control (PSC) information, a letter is sent requesting that information is reviewed and corrected. Many companies comply immediately or will do so following a subsequent letter. If not, we will refer such cases to a relevant prosecutor, mainly in the Insolvency Service, when all other avenues have been exhausted. The overall framework has seen 1,231 directors disqualified in 2017/2018.

The UK’s People of Significant Control Register is one of the first to be publicly available for searching worldwide, and the first in the G20. Already it has more than 4.6 million names of people with significant control over UK registered companies. Companies House have also issued some 100,000 letters to firms where the register does not contain a name.

Alison Thewliss MP asked how many fines had been issued to Scottish Limited Partnerships (SLPs) for not filing information with Companies House. No SLPs have been fined since the requirement to provide PSC information came into force. However, we have contacted all active SLPs to seek compliance with filing requirements and the number of non-compliant SLPs has continued to fall. Our focus is on ensuring compliance, and in general, the great majority of companies and partnerships do correct their filings following a first intervention from us. In the meantime, we are working closely with the Crown Office and Procurator Fiscal Service to prepare the ground for prosecutions.

Turning to Lord Garnier’s question, he asked how many times untruthful or incorrect company or PSC information has been highlighted to us in the past year. Unfortunately, we do not collate the statistics in that way. However, to put this into context the UK has one of the world’s most open registers, and it was viewed more than 5 billion times in the last year by both UK and international users. The UK strongly advocates the use of public scrutiny to improve data accuracy and with so many eyes viewing the data, any inaccuracies can be identified, and these can be reported in several ways.

To make it easier to report inaccuracies or to raise concerns about information held on the register, we have introduced a ‘Report it Now’ function. The feature
is a useful source of insight and an improvement that helps with the integrity of the register. This allows those inspecting the companies register to quickly and easily report back any discrepancies or anomalies they spot. Since the facility was introduced in July 2017, over 126,000 "report it now" queries had been received by January 2019.

A large number of these queries can be answered by the Companies House Contact Centre or do not need any reply because they are made up of spam, adverts, sales pitches or are not relevant for us. However, generally more than 10% are forwarded to teams within Companies House to either reply or to initiate some sort of compliance action with the company. The type of queries being reported to us fall into several categories including information incorrect, alleged fraudulent activity and general queries and complaints. At this stage we do not have the statistical information to show how many relate to PSCs specifically. The high and increasing levels of access and low level of error reporting supports the evidence that the information at Companies House is adequate accurate and up to date.

To further demonstrate how we focus on data integrity, we have set a public Ministerial target for 2018/19 to respond to 95% of PSC complaints within 10 days. Between April 2018 to Feb 2019 we received 160 complaints. As of March this year, criminal proceedings have been issued to 331 directors under the PSC regime. 58 convictions have been obtained.

**Companies House’s collaborative working with law enforcement and other agencies**

In addition, I would like to take the opportunity to provide further information which the Committee might find helpful. We work very closely with law enforcement agencies analysing data and patterns to identify suspicious behaviour and are constantly looking with partners at ways of improving intelligence sharing. Companies House has actively sought to increase awareness in enforcement agencies on how the register information can assist them. This has seen enquiries for help in investigations increase from an average of 11 requests per month to approximately 200 per month. We currently employ typically around 80 people who are dedicated to maintaining the integrity of the register.

Companies House are part of the UK Government Agency Intelligence Network (GAIN) since 2014. GAIN falls under the remit of the Home Office and is a national initiative. Its aim is to solve issues by adopting a multi-agency approach under a more formal umbrella of joint partnering and information sharing when taking enforcement action. Companies House share information with competent authorities either in bulk, with subsequent updates, or via individual requests. We have a dedicated team that meet and liaise with these bodies and monitors their information needs.

The Committee will be familiar with the work Global Witness and other transparency groups have done to highlight issues with the PSC data. This feedback has led us to make improvements in our services, for example we have made a number of system changes to improve nationality and date of birth information in respect of company officers and PSCs.
Additionally, we have proactively engaged with Global Witness, Transparency International and Open Corporates over the last 6-9 months. For example, one of the issues raised in the Global Witness report related to cases where a company had reported PSC loops, which are circular control structures and not legal. Circular registrations can be a result of a misunderstanding of the PSC requirements. While we had already created prototype algorithms to identify PSC loops before their article was published we have also replicated the analysis they did, layering in our back-office data and comparing the findings. This has led to us embedding more sophisticated analysis techniques within the PSC team, leading to integrity improvements. Companies House are carrying out further analysis on more complex structures that appear deliberate, and reports are run monthly to identify clusters to monitor and pursue prosecutions.

Closing

We will apply the lessons we have learnt from the issues that have arisen with PSC information as we develop systems and processes for the register of overseas entities. We will also aim to provide similar routes to those described above to flag suspicious or incorrect information. We will not stop there. This year the PSC regime will be reviewed for its effectiveness, the outcomes will be considered in relation to the new register. Furthermore, we are working with law enforcement agencies such as NCA and HMRC to identify how we can work together to effectively enforce the regime.

And finally, I would like to explain that following the Financial Action Task Force (FATF) assessment of the UK anti money laundering regime last year, and as subsequently announced, Companies House is working with the Department for Business, Energy and Industrial Strategy on a package of reforms to the register. The intention is to consult publicly on any proposals for reform later this year.

Thank you again for the opportunity to provide evidence to the Committee.

Martin Swain
20 March 2019