EXPLANATORY MEMORANDUM TO

THE COMPANIES AND LIMITED LIABILITY PARTNERSHIPS (ANNOTATION) REGULATIONS 2025

2025 No. 573

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Justin Madders, Parliamentary Under Secretary of State at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

2.2 Nis Bandara, Deputy Director for Company Law and Transparency at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 David Leitch at the Department for Business and Trade Telephone: 07471 358052 or email: david.leitch@businessandtrade.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The instrument provides for specific instances where the Registrar of Companies either can or must annotate information on the registers of information maintained pursuant to section 1080 of the Companies Act 2006 (colloquially referred to as "the company register").

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction which the instrument forms part of the law of) is the whole of the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The Economic Crime and Corporate Transparency Act 2023 amended the Companies Act 2006 by providing the Registrar of Companies with a new set of objectives (s.1081A, Companies Act 2006) which, collectively, are aimed at improving the integrity, accuracy and transparency of information contained on the company register. Extending the Registrar's ability to annotate specific register entries furthers those aims and enhances the value of information available to users of the register.

What was the previous policy, how is this different?

5.2 Under the previous policy, the register could only be annotated where, in the Registrar's view, information (or the absence of information) could be construed as confusing or misleading. The new policy allows (and, in one case, requires) the Registrar to annotate to include helpful, additional information which will provide users with improved insight into certain aspects of companies, limited liability partnerships and their officers (i.e. directors, partners, persons of significant control).

6. Legislative and Legal Context

How has the law changed?

6.1 The law has changed to extend the Registrar's discretion to annotate the register to reflect that:

- a director is subject to disqualification sanctions pursuant to regulations made under the Sanctions and Anti-Money Laundering Act 2018;
- a person has failed to comply with a notice requiring them to provide particular information to the Registrar; and
- the Registrar is intending to take, or has taken, steps under section 1002A of the 2006 Act (power to strike off company registered on false basis) to strike a company's name off the register.

6.2 Additionally, the regulations will place a duty on the Registrar to annotate the register where details of a Person of Significant Control (PSC) have been suppressed from public view to safeguard that individual from the risk of violence or intimidation.

6.3 The SI also applies the changes it makes to limited liability partnerships ("LLPs") so that the Registrar's annotation powers and duties in respect of LLPs are consistent with companies.

Why was this approach taken to change the law?

6.4 This approach provides a simple and appropriate way of changing the law to make the register more informative and helpful to users.

7. Consultation

Summary of consultation outcome and methodology

7.1 In 2019, the Government consulted on a range of options to enhance the role of Companies House and increase the transparency of companies and other legal entities. The consultation received 1,320 responses, and respondents broadly supported the proposals. The proposed measures to protect personal information on the register were strongly supported. A copy of the consultation and Government response can be found here: https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform .

7.2 The initial consultation was followed by three further consultations. These focused on the powers of the registrar, improving the quality and value of financial information on the UK companies register, and implementing the ban on corporate directors. These three consultations opened in December 2020 and closed in February 2021. Respondents were broadly supportive of all the measures proposed.

7.3 A copy of the latter three consultations, a summary of the responses, and an overview of the policy can be found in the Corporate Transparency and Register Reform White

Paper: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060726/corporate-transparency-white-paper.pdf .

7.4 The Government has also engaged with Devolved Governments on matters which fall within areas of devolved competence. All devolved issues have been settled. Legislative consent has been obtained from Welsh and Scottish Governments. As legislative consent from Northern Ireland could not be obtained at the time of passage of the 2023 Act because an Executive had not yet been formed, the Government legislated without consent but secured Ministerial consent for the making of the secondary legislation. There is an agreement between the Department for Business and Trade and the Northern Irish Department for the Economy that the Westminster Government will legislate on behalf of Northern Ireland on matters pertaining to company law, with both parties maintaining engagement.

8. Applicable Guidance

8.1 Not applicable.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the measures within this instrument will not cause any cost to business. This is outlined in the Impact Assessment for the primary legislation, which is available here: https://publications.parliament.uk/pa/bills/cbill/58-03/0154/1.ImpactAssessmentfromDepartmentforBusinessEnergyandIndustrialStrategy.pdf.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies, as individuals would only ask for their information to be protected if the benefits of the action were greater than the cost.

9.3 The legislation does not impact small or micro businesses.

9.4 The impact on the public sector is outlined in the Impact Assessment for the primary legislation. Given the close linkages between Companies House transformation and the suite of reform measures, it is impossible to allocate transformation costs individually and they are therefore treated as indivisible. For more information on the impact on Companies House to deliver the full register reform package, please see the Impact Assessment for the primary legislation.

9.5 No impact on the environment is expected as a result of this instrument.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that the Department for Business and Trade and Companies House will monitor all the reforms to Companies House enabled through the 2023 Act and will periodically publish research on their impact.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Justin

Madders, Parliamentary Under Secretary of State, Department for Business and Trade, has made the following statement:

"A statutory review clause is not included in the instrument since the additional requirements are not extensive and are considered to meet the Government's 'de minimis' regulatory impact criteria, meaning no impact assessment is required."

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 Justin Madders, Parliamentary Under Secretary of State, Department for Business and Trade, has made the following statement regarding Human Rights:

"In my view the provisions of the Companies and Limited Liability Partnerships (Annotation) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").