EXPLANATORY MEMORANDUM TO

THE COMPANIES AND LIMITED LIABILITY PARTNERSHIPS (ANNOTATIONS, APPLICATION AND MODIFICATION OF COMPANY LAW AND CONSEQUENTIAL AMENDMENTS) REGULATIONS 2025

2025 No. 1116

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.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Blair McDougall, Minister for Small Business and Economic Transformation 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 Renee Amagada at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the instrument: companylawandtransparency@businessandtrade.gov.uk. Alternatively, the department can be contacted by telephone: 07928 500347.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument introduces a duty for the registrar to place a note (or 'annotation') on the register to display where individuals have completed identity verification checks. These annotations will indicate whether an individual listed as a company director (or equivalent for other entities) or person with significant control (PSC) has complied with identity verification requirements introduced by the Economic Crime and Corporate Transparency Act 2023 (ECCTA 2023).

4.2 This instrument also extends annotation powers and duties to unregistered companies and makes amendments to various pieces of secondary legislation which are consequential on ECCTA.

Where does the legislation extend to, and apply?

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

4.4 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 ECCTA 2023 introduces requirements for company directors and PSCs to verify their identity. The intent is to make it more difficult for bad actors to use false or stolen identities, subsequently misusing UK corporate structures to commit economic crime. In addition, another objective is to increase public confidence in the reliability of the register.

5.2 This instrument supports the implementation of identity verification by introducing a requirement for the registrar to display an annotation next to the names of individuals once their identity has been verified. The presence of this annotation will signal to users of the register - including businesses, law enforcement and members of the public - that the individual has completed identity verification checks, thereby enhancing confidence in the reliability of the register information.

5.3 The commencement of this instrument is tied to the commencement of sections 167M and 790LA of the Companies Act 2006 (which were inserted by ECCTA 2023) and regulation 17AA of the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 (which was inserted by the Limited Liability Partnerships (Application and Modification of Company Law) Regulations 2025 and applies section 167M of the Companies Act 2006 to LLPs).

5.4 The intention is for this instrument to come into force at the same time as these Companies Act provisions (and their LLP equivalents) so that all provisions relating to identity verification come into force at the same time. This will mean, for example, that requirements for directors and PSCs to verify their identity will come into force at the same time as the registrar's duty to annotate the register to show that someone's identity is verified. The date that these Companies Act provisions come into force will be set out in the Economic Crime and Corporate Transparency Act 2023 (Commencement No. 6 and Transitional Provisions) Regulations 2025 (ECCTA Commencement Regulations No. 6) as 18th November 2025. The Limited Liability Partnerships (Application and Modification of Company Law) Regulations 2025 will come into force on the same date, and so the effect of this is that all the provisions of these Regulations will come into force at the same time on 18th November 2025.

What was the previous policy, how is this different?

5.5 Previously, there was no requirement for company directors and PSCs to verify their identity, nor any requirement for the registrar to indicate that identity verification had taken place. Following the introduction of new identity verification requirements under ECCTA 2023, this instrument requires the registrar to publish an individual's identity verified status, thereby enhancing the reliability, visibility and utility of the company register and allowing users of the register to more easily identify compliant individuals.

6. Legislative and Legal Context

How has the law changed?

6.1 The law has changed to the extent that a new duty is imposed on the registrar to annotate the register maintained under section 1080 of the Companies Act 2006, to reflect that an individual has verified their identity. This duty is also applied to limited liability partnerships ('LLPs'), so that annotation duties relating to LLPs are consistent with companies.

6.2 This statutory instrument also applies annotation duties and powers to unregistered companies and makes changes to various pieces of secondary legislation.

6.3 Regulation 3 applies the new annotation duty to LLPs.

6.4 Regulation 4 amends the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 (S.I. 2009/1804) to remove the requirement for LLPs to provide the nationality of their members and a service address for their corporate members. These requirements will be re-introduced at a later date once the functionality to receive the information at Companies House can be implemented.

6.5 Regulation 4 also substitutes a new version of section 1082 of the Companies Act 2006, as applied to LLPs and makes a minor amendment to the Registered Office Address (Rectification of Register) Regulations (S.I. 2024/233) as applied to LLPs which is consequential on changes made by ECCTA 2023.

6.6 Regulation 5 amends the Unregistered Companies Regulations 2009 (S.I. 2009/2436) to remove the requirement for unregistered companies to provide a service address for their corporate directors, corporate secretaries and registrable relevant legal entities. It also makes provision for the registrar's powers and duties to annotate the register to apply in relation to unregistered companies, as well as other minor amendments.

6.7 Regulation 6 makes a minor amendment to the Companies (Companies Authorised to Register) Regulations 2009 (S.I. 2009/2437) to correct a cross reference to another instrument.

6.8 Regulation 7 makes a minor amendment to the Registered Office Address (Rectification of Register) Regulations 2024, which is consequential on changes made by ECCTA 2023.

6.9 Regulation 8 amends the Companies Authorised to Register, Unregistered Companies and Overseas Companies (Application of Company Law) Regulations 2025 (S.I. 2025/761) to fix a minor error identified by the Joint Committee on Statutory Instruments and to replace the transitional provision relating to identity verification of directors of unregistered companies so that it aligns with the transitional provision for companies introduced by ECCTA Commencement Regulations No. 6.

6.10 Regulation 9 amends the Limited Liability Partnerships (Application and Modification of Company Law) Regulations 2025 (S.I. 2025/1033) to replace the transitional provision relating to identity verification of members of LLPs so that it aligns with the transitional provision for companies.

Why was this approach taken to change the law?

6.11 This approach provides a simple and appropriate way of changing the law.

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. Measures to introduce identity verification 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 then 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. 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 Companies House will publish guidance ahead of identity verification requirements coming into force.

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 policy has no direct economic costs to businesses.

9.2 An Impact Assessment for identity verification requirements more generally was produced for the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2025 here: https://www.legislation.gov.uk/uksi/2025/50/impacts.

Impact on businesses, charities and voluntary bodies

9.3 There is no, or no significant, impact on business, charities or voluntary bodies because the regulations do not directly require the business to execute any task.

9.4 The legislation does not impact small or micro businesses.

9.5 The impact on the public sector is outlined within the Impact Assessment published at the introduction of ECCTA 2023. 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.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is the Department for Business and Trade and Companies House will monitor all the reforms to Companies House enabled through ECCTA 2023 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 Blair McDougall 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 This instrument relates to the following statutory instruments which were laid on 30 June 2025:

- The Economic Crime and Corporate Transparency Act 2023 (Consequential, Incidental and Miscellaneous Provisions) Regulations 2025
- The Register of People with Significant Control (Amendment) Regulations 2025
- The Companies Authorised to Register, Unregistered Companies and Overseas Companies (Application of Company Law) Regulations 2025
- The Limited Liability Partnerships (Application and Modification of Company Law) Regulations 2025

11.2 This instrument also relates to the following statutory instrument which was placed in the House on 23 October 2025:

- The Economic Crime and Corporate Transparency Act 2023 (Commencement No.6 and Transitional Provisions) Regulations 2025

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

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").