EXPLANATORY MEMORANDUM TO

THE COMPANIES AUTHORISED TO REGISTER, UNREGISTERED COMPANIES AND OVERSEAS COMPANIES (APPLICATION OF COMPANY LAW) REGULATIONS 2025

2025 No. 761

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 Justin Madders, Minister for Employment Rights, Competition and Markets, 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 Rose Marshall at the Department for Business and Trade, Telephone: 07927583948 or email: Rose.Marshall2@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 Companies Act 2006 (CA06), as amended by the Economic Crime and Corporate Transparency Act 2023 (the 2023 Act), requires that directors and People with Significant Control (PSCs) of UK companies verify their identity. This can be done directly through the registrar of companies or by an Authorised Corporate Service Provider. Once verified, each individual will be allocated a unique verification identifier code to facilitate the operation of the identity verification process.

4.2 This instrument amends secondary legislation made under the CA06 to extend these identity verification requirements, as well as other reforms to company law made by the 2023 Act, to overseas companies, companies authorised to register, and unregistered companies.

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 Under the CA06, as amended by the 2023 Act, directors and People with Significant Control ("PSCs") of UK companies are required to verify their identity. The purpose of identity verification requirements is to increase corporate transparency and reduce the potential for economic crime, such as money laundering and fraud, through UK corporate structures.

5.2 This statutory instrument extends identity verification requirements to rarer types of corporate structures, namely overseas companies, unregistered companies and companies authorised to register.

5.3 An overseas company is a company incorporated outside the UK which has an establishment within the UK. A company that has not been formed under companies' legislation may apply to the registrar to register as an unlimited company, a company limited by shares, or as a company limited by guarantee. These entities are known as 'companies authorised to register'. An unregistered company is a rare form of incorporated company that is not formed or registered under the CA06 or under any other public general Act of Parliament. Unregistered companies include companies formed under private Acts of Parliament or Royal Charter.

5.4 Adopting a consistent approach ensures that all corporate structures registered at Companies House are subject to the same level of transparency across the board and that the UK maintains a unified and transparent corporate register system. By extending identity verification requirements to overseas companies, unregistered companies, and companies authorised to register, the UK ensures that no entity type, can bypass these crucial checks and reduces opportunities for individuals to hide behind complex corporate structures.

5.5 This instrument makes amendments to the Companies Authorised to Register Regulations 2009, the Unregistered Companies Regulations 2009 and the Overseas Companies Regulations 2009 to require that their directors and, where applicable, PSCs are identity verified and not disqualified directors under director disqualification legislation. It also makes other amendments to those regulations to apply provisions introduced by, and make amends which are consequential on, the 2023 Act's reforms to company law.

5.6 To enforce these new requirements, this instrument also applies offences to these entities in relation to failure to comply with identity verification obligations.

5.7 Finally, this instrument makes transitional provisions to require that existing directors of unregistered companies and existing directors of overseas companies are identity verified. Transitional provisions are not necessary for companies authorised to register, as once they are registered provisions under the CA06 apply to them as if they were a company formed and registered under the CA06.

What was the previous policy, how is this different?

5.8 Currently, the reforms that ECCTA makes to company law relating to identity verification, the PSC regime and the prohibition on directors or PSCs being disqualified directors, do not apply to overseas companies, unregistered companies and companies authorised to register. This statutory instrument extends those reforms to those types of corporate entity. Those amendments will commence at the same time as the corresponding reforms to company law.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument makes amendments to the Companies Authorised to Register Regulations 2009, the Unregistered Companies Regulations 2009, and the Overseas Companies Regulations 2009, as well as making transitional provisions in relation to unregistered companies and overseas companies.

Why was this approach taken to change the law?

6.2 This approach provides the simplest and most appropriate method of making the necessary changes.

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 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 an impact assessment for the measures within this instrument were assessed within the impact assessment produced for the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2025 here: https://www.legislation.gov.uk/uksi/2025/50/impacts

9.2 The net direct cost to business per year of identity verification requirements has been assessed as £19.5m and the business net present value as -£167.5m.

Impact on businesses, charities and voluntary bodies

9.3 The impact on business, charities or voluntary bodies is that they will have to comply with identity verification requirements if they are corporate structures (which many businesses, charities and voluntary bodies are). On an individual level, the Impact Assessment estimates that the time cost for the average officer will be £10.50 to verify their identity, and £2.10 to confirm verification for each appointment held.

9.4 The legislation does impact small or micro businesses. However, introducing exemptions based on company size would undermine the objectives of this policy.

9.5 For these reasons no specific action is proposed to minimise the regulatory burden on small and micro businesses.

9.6 The impact on the public sector is outlined within the Impact Assessment published at the introduction of the 2023 Act. 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 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, including the impact of identity verification requirements. A statutory review clause is included in the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2025 for this purpose.

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 for Employment Rights, Competition and Markets at the 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 This instrument relates to the following statutory instruments which are being laid at the same time:

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

11.2 These instruments all make amendments which relate to or are consequential on the abolition of local registers, introduced by the 2023 Act.

12. European Convention on Human Rights

12.1 The Minister for Employment Rights, Competition and Markets has made the following statement regarding Human Rights:

"In my view the provisions of the Companies Authorised to Register, Unregistered Companies and Overseas Companies (Application of Company Law) 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").