EXPLANATORY MEMORANDUM TO

THE REGISTER OF PEOPLE WITH SIGNIFICANT CONTROL (AMENDMENT) REGULATIONS 2025

2025 No. [XXXX]

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, 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 Trevor Smith at the Department for Business and Trade, Telephone: 07917955883 or email: trevor.smith@businessandtrade.gov.uk & catpolicy@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 This instrument makes some amendments to new requirements relating to the "People with Significant Control" ("PSC") of companies. The new requirements were inserted into the Companies Act 2006 ("the 2006 Act") by the Economic Crime and Corporate Transparency Act 2023 ("the 2023 Act"). The amendments are needed to ensure that certain information that was previously reported to Companies House (aka the registrar) is still reported when the requirements in the 2023 Act take effect.

4.2 This instrument also makes some amendments which require companies to deliver additional PSC-related information to Companies House.

Where does the legislation extend to, and apply?

4.3 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.

4.4 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 The PSC regime was introduced in 2016. It requires UK companies and other legal entities to identify who owns and controls them (i.e. who their PSCs are), to register their details with Companies House, and to keep these details up to date. The two main objectives of the PSC register are to provide transparency around the ownership and control of UK corporate structures and to help prevent their misuse.

5.2 The 2023 Act refashioned existing duties on companies to collect information about their PSCs, record the information on a "local" PSC register, and then report the information to Companies House. Those duties now form part of a legal regime in which companies will report PSC information directly to Companies House, who will hold the "central" PSC register. This will streamline the PSC regime, reduce burdens on business, and ensure PSC information appears on the Companies House register more quickly. This instrument makes some changes to that new regime, by adding some additional reporting requirements to ensure that Companies House still receive all of the information they did under the previous framework.

5.3 The changes that this instrument introduces to the new regime will be applied to other entities that were previously required to keep a local PSC register. For example, please see the Limited Liability Partnerships (Application and Modification of Company Law) Regulations 2025.

What was the previous policy, how is this different?

5.4 Currently, companies are required to maintain a "local" PSC register and record PSC-related information in it, including various "additional matters" relating to the company's investigations into its PSCs. Companies are required to update their local PSC register within 14 days of having confirmation of a change occurring. Companies are then required to update Companies House within 14 days of updating their local PSC register. This means there would be a time-lag before updates would appear on the public register held by Companies House.

5.5 Once the relevant provisions in the 2023 Act take effect, companies will be required to update Companies House within 14 days of having confirmation of a change occurring. This instrument requires the delivery of information to Companies House under the new regime relating to the company's investigations into its PSCs including relevant dates relating to any changes to PSC information. This will ensure Companies House receive all the information they did under the previous framework.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument is part of a series of Statutory Instruments that have been or will be made following the 2023 Act, implementing the reforms within it.

6.2 Section 51 of, and Schedule 2 to, the 2023 Act (abolition of certain local registers) made amendments to Part 21A (information about people with significant control) of the 2006 Act. The amendments replaced rules that required companies to maintain "local" registers of their PSCs with rules that require companies to notify Companies House of information about PSCs. These Regulations make amendments and additions to those new rules.

6.3 Part 2 of the instrument makes further amendments to Part 21A of the 2006 Act. Regulations 4 and 5 require notices given by the company to Companies House to include the name of the person the notice relates to and relevant dates.

6.4 Regulation 6 introduces three new sections into Part 21A of the 2006 Act. The new sections require companies to send notices to Companies House when a "restrictions notice" is given, withdrawn, or when the court makes an order relating to such a notice. A restrictions notice may be sent by a company to a person under Schedule 1B to the 2006 Act. This restricts the rights of the person in respect of the company. These new sections are refashioned versions of previous requirements set out in Part 21A and regulations made under it.

6.5 Regulation 7 widens the scope of an existing offence to include failure to comply with the three new sections inserted by regulation 6.

6.6 Regulations 8 to 13 amend the information that must be given in notices, including to require the date that a company had confirmation of the information to be provided.

6.7 Regulation 14 makes amendments to require a company to notify Companies House that it knows, or has cause to believe, that it has no PSC, regardless of whether it previously had a PSC.

6.8 Regulation 15 amends the Register of People with Significant Control Regulations 2016 (SI 2016/339), by inserting new regulation 8A. This requires a company to notify Companies House when it knows, or has cause to believe, that certain information previously delivered to Companies House is no longer true.

Why was this approach taken to change the law?

6.9 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 enhance the transparency of entity ownership were 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 Devolved Governments were engaged 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 and DBT already have guidance for companies on how to identify and record PSCs, and for PSCs on how to comply with PSC requirements[1]. Ahead of the regulations coming into force, the guidance will be updated to reflect the changes made by this instrument.

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 significant cost to business. The Impact Assessment for the primary legislation 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 because the information companies will be required to provide to the registrar under the new regime equals that which they already provide under the old regime.

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

[1] https://www.gov.uk/guidance/people-with-significant-control-pscs https://www.gov.uk/government/publications/guidance-to-the-people-with-significant-control-requirements-for-companies-and-limited-liability-partnerships

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 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 Companies Authorised to Register, Unregistered Companies and Overseas Companies (Application of Company Law) Regulations 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 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 Register of People with Significant Control (Amendment) 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").