EXPLANATORY MEMORANDUM TO

THE REGISTRAR (IDENTITY VERIFICATION AND AUTHORISED CORPORATE SERVICE PROVIDERS) REGULATIONS 2025

2025 No. 50

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 Kevin Hollinrake, Minister for Enterprise, Markets and Small Business, at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

2.2 Matthew Ray, Deputy Director for Economic Crime and Corporate 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 This instrument makes provisions under the Companies Act 2006 (c. 46, "the 2006 Act") about identity verification, authorised corporate service providers and unique identifiers.

4.2 The 2006 Act, as amended by the Economic Crime and Corporate Transparency Act 2023 (c.56, "the 2023 Act"), will require that those involved in setting up and running companies verify their identity. Section 1110A(1) of the 2006 Act defines "identity is verified" for the purpose of the 2006 Act. This status can be obtained via verification either by the registrar of companies, or by an authorised corporate service provider ("ACSP"), according to the procedure set out in this instrument. Once verified each individual will have a unique identifier allocated to them according to this instrument.

4.3 Section 1098A of the 2006 Act defines ACSPs. Third parties who wish to deliver information to the registrar on behalf of others or verify their identities, will only be permitted to do so if the registrar has decided to register them as ACSPs. Sections 1098A to 1098H of the 2006 Act set out the framework for registration of ACSPs with the registrar. This instrument complements this framework, by making provisions about suspension and cessation of an ACSP's status and allocation of unique identifiers to them. It also requires that ACSPs keep records relating to the identity verification checks they complete as well as provide further information to the registrar and keep it up to date.

Where does the legislation extend to, and apply?

4.4 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.

4.5 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 2006 Act individuals involved in setting up, running and controlling companies will be required to verify their identity. Section 167M of the 2006 Act prohibits acting as a director of a company unless an individual's identity is verified and section 790LQ of the 2006 Act requires persons with significant control, or "PSCs", over companies to maintain verified identity status during the period in which they stand as a PSC in relation to a company. Individuals may verify their identity with the registrar directly or via an ACSP. These identity verification requirements are designed with a view to improving the reliability of the information on the register and to make it challenging for individuals to create a fictitious identity, or fraudulently use another person's identity, to set up or run a company.

5.2 Under the 2006 Act commercial agents who want to form companies or file documents on behalf of others will only be able to do so if they register as an ACSP with the registrar, and a precondition of doing so is that they are registered with a UK supervisory body for anti-money-laundering purposes. This will ensure that only agents who are already subject to anti-money-laundering requirements can engage with the registrar on behalf of other people and companies.

5.3 Together these reforms are designed to deter fraudulent activity, improve the reliability of the register, and provide the registrar with a much greater source of intelligence that can also be shared with relevant authorities.

5.4 This instrument sets out the procedure that must be followed for an individual to have their identity verified or reverified by either the registrar or by an ACSP. The identity verification procedure created by this instrument requires that an identity verification application contains specific information, but it also confers a power on the registrar to require further types of information, evidence and steps to be taken in rules. This is necessary to ensure that the identity verification procedure can remain flexible and adapt to changing technology or identity proofing techniques. A draft version of these rules has been published on the Companies House website[1].

5.5 This instrument also provides a framework for the suspension and de-authorisation of ACSPs judged by the registrar not to be fit and proper persons, as well as enabling the immediate de-authorisation of ACSPs who wish to cease to be an ACSP; requires that ACSPs keep particular records relating to the identity verification checks they complete; and makes provisions about ACSPs' duties to provide information to the registrar and to update it. Together these elements provide the registrar with the power to scrutinise ACSPs and prevent nefarious agents from acting on behalf of their clients.

[1] https://resources.companieshouse.gov.uk/about/policyDocuments/registrarsRules/DRAFT-Registrars-Rules-under-Regulation-6-of-the-IDV-and-ACSP-SI-2024.pdf

5.6 The duties to keep records as well as to provide and update certain information to the Registrar are subject to new offences under regulations 16 and 22.

5.7 The first offence is committed if a person who is or has been an ACSP fails to comply with the duty to keep records under regulation 15. This duty is subject to a penalty of imprisonment or a fine (or both). This penalty is necessary to allow for enforcement of the duty to keep records.

5.8 The second offence is committed if a person fails to comply with regulation 19 or 21 which require, respectively, an ACSP to provide information to the registrar upon notice, and to notify the registrar of any changes to particular information contained in their application to become an ACSP. These duties are subject to a summary-only offence for which the penalty on conviction is an unlimited fine in England and Wales, or in Scotland or Northern Ireland, a fine not exceeding level 5 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 5 on the standard scale. This penalty should allow the enforcement of these duties so that the registrar can access necessary information about the activities undertaken by the ACSP.

5.9 Finally, this instrument makes provisions for the allocation and discontinuation of 'unique identifiers', which will be allocated to all individuals who have had their identity verified and to ACSPs. These identifiers will support the effective operation of the identity verification and ACSP regime.

What was the previous policy, how is this different?

5.10 Previously, there were no requirements that individuals who were appointed as directors of a company, who were notified as PSCs, or who filed information with the registrar had to have their identities verified. The company registration framework was left open to abuse as companies and others could easily falsely register an individual as a director or create fictitious identities for their directors or PSCs.

5.11 There were also no restrictions on the ability of third parties to file documents or form companies on behalf of others. The majority of these third parties – often professional intermediaries such as accountants and legal advisers - were legitimate businesses but there was evidence that they were at high risk of being used in money laundering schemes.

5.12 After the 2023 Act all directors, PSCs and those who file documents with the Registrar (excluding employees of ACSPs, or anyone who may fall under an exception provided for in separate regulations) will need to verify their identity. All agents will have to be registered as an ACSP with the registrar, and be UK supervised for anti-money-laundering purposes to do so.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument sets out the procedure for verification and reverification of individual's identity for the purpose of the 2006 Act, allocation of unique identifiers, procedure for suspension and cessation of ACSP's status as well as imposes additional requirements on persons who are or have been ACSPs.

6.2 This instrument is made using these powers for the first time:

(a) 1082 of the 2006 Act, amended by section 68 of the 2023 Act;

(b) 1098F(2) to (4) and 1098G of the 2006 Act inserted by section 66 of the 2023 Act, and

(c) 1110A(4), (6) and (7) and 1110B of the 2006 Act, inserted by section 65 of the 2023 Act.

6.3 This is a free-standing instrument, implementing a new policy introduced for the first time by the 2023 Act. It is part of a series of Statutory Instruments following the 2023 Act to implement the reforms within it.

Why was this approach taken to change the law?

6.4 The primary legislation sets out the key obligations on directors and PSCs to be identity verified, and the key processes and procedures by which an agent becomes an ACSP. It was appropriate to leave to this secondary legislation instrument the more detailed mechanics of the processes by which people become identity verified, and the processes by which an ACSP's activity can be monitored by the registrar, including the processes concerning suspension and de-authorisation. Some of the requirements for and in connection with verification or reverification of an individual's identity will be provided by registrar's rules under the powers conferred in this instrument.

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[2]. The consultation received 1,320 responses, and respondents broadly supported the proposals.

7.2 The Government's response to this consultation, and the further three consultations on Register Reform, can be found in the Corporate Transparency and Register Reform White Paper[3].

7.3 Responses to the consultation showed overall support for introducing identity verification requirements to ensure that the identities behind companies were real. 91% of respondents agreed with the general premise that Companies House should have the ability to check the identity of individuals on the register, and 81% of respondents agreed with the proposal for mandatory identity verification of directors.

7.4 Responses also showed 71% of respondents agreed with the proposal that third party agents should provide evidence to Companies House that they have undertaken customer due diligence checks on individuals. 71% also agreed that more information on third party agents filing on behalf of companies should be collected.

7.5 The Government has engaged with Devolved Governments on matters in the 2023 Act 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 until an Executive was formed, the Government legislated without consent, but agreement was reached at official level. Measures within the 2023 Act relating to identity verification only engaged the legislative consent process in Northern Ireland, as company law is reserved in Wales and Scotland.

[2] https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform

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

8. Applicable Guidance

8.1 A draft version of the registrar's rules which specifies further identity documentation required for the identity verification process, alongside the information required in this instrument, is published on the Companies House website[4]. Companies House will also produce further, non-statutory, guidance to support ACSPs to undertake successful identity verification checks.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment is submitted with this memorandum and published alongside the Explanatory Memorandum on the legislation.gov.uk website. This Impact Assessment assesses the costs of the core elements of the IDV and ACSP procedures that were given effect through this statutory instrument (the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 2025) and the 2023 Act.

9.2 The net direct cost to business per year 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. The most notable impact on the public sector is the impact on Companies House to deliver the register reform package[5].

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation and evaluating the reforms is being jointly developed by DBT and Companies House. This includes setting up data processes, identifying key metrics, and developing research plans to assess the longer-term success of the corporate transparency reforms in the Economic Crime (Transparency and Enforcement) Act 2022 and the 2023 Act. Given the interdependency of the reforms and what they aim to achieve, the outcomes and impacts of the legislation are looked at in their entirety.

[4] https://resources.companieshouse.gov.uk/about/policyDocuments/registrarsRules/DRAFT-Registrars-Rules-under-Regulation-6-of-the-IDV-and-ACSP-SI-2024.pdf

[5] See here for more information: https://publications.parliament.uk/pa/bills/cbill/58-03/0154/1.ImpactAssessmentfromDepartmentforBusinessEnergyandIndustrialStrategy.pdf

10.2 A statutory review clause is included in the instrument and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Kevin Hollinrake, Minister for Enterprise, Markets and Small Business, Department for Business and Trade, has made the following statement:

"A statutory review clause is included in the instrument in respect of provisions which relate to identity verification procedure and unique identifiers since the additional requirements are extensive and are considered to meet the Government's 'de minimis' regulatory impact criteria, meaning an impact assessment is required.

I consider that the provisions in this instrument relating to Authorised Corporate Service Providers do relate to a qualifying activity for the purposes of section 29 of the 2015 Act. Although the economic impact of these regulatory provisions is not significant, due to the significance of all the reforms introduced by the Economic Crime and Corporate Transparency Act 2023, I have decided to make provisions for a statutory review of ACSP measures."

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 The Minister for Enterprise, Markets and Small Business has made the following statement regarding Human Rights:

"In my view the provisions of the Registrar (Identity Verification and Authorised Corporate Service Providers) Regulations 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").