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GENERAL COMMITTEES

Public Bill Committee

ECONOMIC CRIME AND CORPORATE TRANSPARENCY BILL

Tenth Sitting

Tuesday 8 November 2022

(Afternoon)

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Saturday 12 November 2022

The Committee consisted of the following Members:

Chairs: Mr Laurence Robertson, Hannah Bardell, † Julie Elliott, Sir Christopher Chope

† Anderson, Lee *(Ashfield)* (Con)
† Ansell, Caroline *(Eastbourne)* (Con)
† Byrne, Liam *(Birmingham, Hodge Hill)* (Lab)
† Crosbie, Virginia *(Ynys Môn)* (Con)
† Daly, James *(Bury North)* (Con)
† Hodge, Dame Margaret *(Barking)* (Lab)
† Hollinrake, Kevin *(Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy)*
† Hughes, Eddie *(Walsall North)* (Con)
† Hunt, Jane *(Loughborough)* (Con)
Kinnock, Stephen *(Aberavon)* (Lab)
† Malhotra, Seema *(Feltham and Heston)* (Lab/Co-op)
† Mann, Scott *(Lord Commissioner of His Majesty's Treasury)*
† Morden, Jessica *(Newport East)* (Lab)
† Newlands, Gavin *(Paisley and Renfrewshire North)* (SNP)
† Stevenson, Jane *(Wolverhampton North East)* (Con)
† Thewliss, Alison *(Glasgow Central)* (SNP)
† Tugendhat, Tom *(Minister for Security)*

Kevin Maddison, Anne-Marie Griffiths, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 8 November 2022

(Afternoon)

[Julie Elliott *in the Chair*]

Economic Crime and Corporate Transparency Bill

Clause 80

Power to require additional information

2 pm

Question proposed, That the clause, as amended, stand part of the Bill.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Kevin Hollinrake): It is a pleasure to speak with you in the Chair, Ms Elliott. Clause 80 gives the registrar of companies a new power to require information. The registrar's existing powers are insufficient to tackle the large volume of inaccurate or suspicious information on the register. She has no powers to compel filers to furnish her with information to assist her to investigate filings that she is concerned are inaccurate or fraudulent, and that she may wish to remove. That means that suspect information is often accepted on to the companies register, damaging its accuracy, reliability and usefulness.

The insertion of proposed new section 1092A into the Companies Act 2006 will give the registrar a power to require that a person provide her with information for certain purposes. Those are: determining whether someone has complied with a delivery obligation or requirement; determining whether a document delivered to her satisfies the proper delivery requirements, including whether it contains accurate information; or determining whether or how to exercise her powers to remove improperly delivered information from the register or to resolve inconsistencies on it.

It is suspected that a significant amount of fraudulent information is already on the register. The power will therefore apply to existing register information as well as to all new information submitted to the registrar. The clause will also make it an offence for someone to fail to respond to the registrar's request for information without a reasonable excuse. The maximum penalty for that offence will be two years' imprisonment. It is imperative that we equip the registrar with all the tools necessary to challenge dubious information and ensure the integrity of the register. The power in the clause is the cornerstone of that ambition.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): It is a pleasure to serve under your chairship, Ms Elliott. I thank the Minister for his remarks. We support the clause, which provides for a power to require additional information. He is right that the proposed new section is the cornerstone of providing the registrar with the powers to maintain the integrity of the register, so we support the clause.

Liam Byrne (Birmingham, Hodge Hill) (Lab): It is a pleasure to serve with you in the Chair, Ms Elliott. When the Minister winds up the debate on the clause, will he say a little more about some of the information that the registrar may be seeking, and in particular whether she is able to solicit information from people seeking to file accounts, and so on, that has been requested by other agencies? All kinds of information is sometimes beyond the purview of, for example, the National Crime Agency, and sometimes the registrar, rather than a police agency, making the first approach may be a more intelligent way to get the information needed for an investigation. It would be helpful if the Minister clarified whether Companies House can act in concert with other law enforcement agencies to gather information that is needed to help to bring prosecutions.

Kevin Hollinrake: I am grateful for the right hon. Gentleman's remarks. The answer is yes, that is exactly what the legislation allows for: the risk-based flow of information between the registrar and law enforcement agencies. Of course, the power will be discretionary, so the registrar will determine when to exercise it, but it can be to request any information that she requires under legislation—both public and private information.

Question put and agreed to.

Clause 80, as amended, accordingly ordered to stand part of the Bill.

Clause 81

Registrar's notice to resolve inconsistencies

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

Government amendment 13.

Clause 82 stand part.

Clause 83 stand part.

Government new clause 7—*Power to require businesses to report discrepancies.*

Kevin Hollinrake: Clause 81 enables the registrar to require a company to resolve an inconsistency where it appears that information contained in a document delivered to the registrar in relation to a company is inconsistent with any other records she holds, including records about other business entities or organisations such as limited liability partnerships and limited partnerships. Currently, the inconsistency resolution power is available only if there is an inconsistency between the delivered information and the information on the companies register.

Where the registrar suspects that information submitted to her is inaccurate, but that suspicion is based only on information that she holds but that is not published on the register, for instance information gleaned from law enforcement agencies—that is the point the right hon. Member for Birmingham, Hodge Hill just mentioned—she will be able to issue a notice to require the company to correct the mistake. The clause will strengthen the registrar's ability to ensure the register is accurate and reliable.

Government amendment 13 and new clause 7 are concerned with the identification and rectification of discrepancies between information that businesses, such as banks, lawyers or accountants, obtain in the course of their business relationships with customers, and information that the registrar curates. In our White Paper in February, the Government committed to expand current discrepancy reporting requirements to include discrepancies in director information and in registered office addresses. That would build on the discrepancy reporting that already occurs under the money laundering regulations in relation to beneficial ownership. It is a key part of our vision for Companies House reform that there are active and effective feedback loops from the private sector to help the registrar maintain the accuracy of the data she holds. This will benefit business and help protect personal information.

The power inserted by new clause 7 introduces a regulation-making power into the Companies Act 2006. Regulations made under that power can set out who must check for discrepancies and what information they check, beyond just discrepancies in relation to beneficial ownership information. The regulations can also be used to create offences for failure by those obliged to check for discrepancies to comply with those obligations.

Government amendment 13 omits section 1095A from the Companies Act. This power to resolve discrepancies in certain circumstances is no longer needed because of the wider power introduced by clause 82, which enhances and rationalises the registrar's powers to remove material from the register. Proposed new section 1094 of the Companies Act, as substituted by clause 82, gives the registrar the power to remove material on the register where it has not met proper delivery requirements or is unnecessary. The registrar could exercise that power on her own motion, or on application.

Clause 82 will strengthen the registrar's powers, enabling her to proactively clean up the register. The power is safeguarded by the requirement that the registrar may exercise it only if satisfied that the interest of the company or applicant in removing the material is not outweighed by any interest of other persons in the material continuing to appear on the register. That matches the test that the court has to apply, which is the focus of clause 83.

Clause 83 expands the range of people whose interests a court must take into account when considering whether to make an order to remove material that has legal consequences from the register. Currently, a court can only make an order to remove material if satisfied that the material is damaging to a company and removing the material outweighs the interests of any other person in the material in retaining it.

That test overlooks the fact that a person other than the company might have their interests affected by a filing—for example, a person whose name has been fraudulently registered as a director of a company with which the person in fact has no connection. Clause 83 amends section 1096(3) of the Companies Act so that the court must now also take into account the interests of an applicant, who may be different to the company, as well as the company.

Seema Malhotra: I have a few questions on the clauses. Clause 81, on the registrar's notice to resolve inconsistencies, would expand the powers of the registrar to identify inconsistencies by considering all records—it goes wider than just the information on the register. Any notice given would state the nature of the inconsistency and give the company 14 days to resolve it. Could I ask the Minister to clarify what will happen if a company exceeds this 14-day period?

On new clause 7 on the power to require businesses to report discrepancies, I want to understand how that might be operationalised. Would the registrar seek information from businesses, or would businesses be expected to do something without being requested to? It was not quite clear how the measure would be used. On businesses that might come under scope, the Minister mentioned financial services, but the proposed new section under new clause 7 refers to regulations imposing requirements on

"a person who is carrying on business in the United Kingdom".

Any company or business may be required to report discrepancies. It would be helpful to understand that point, as there is a fair bit of detail in new clause 7. I would appreciate the Minister's comments on that.

Clause 82 creates a new power for the registrar to remove information that was submitted to it and accepted despite not meeting proper delivery requirements. There may well have been reasons for the information being accepted. As the Minister mentioned in a previous debate, for some reason there may have been a minor issue that was considered not significant—I think he may have used the word "material"—and the information did not meet proper delivery requirements. Could I clarify whether the Minister would expect there to be any notification to directors or officers about material being removed? Would any note be made on the register as a record of material having been removed? It would simply be a matter of putting on a company's record that material was there and accepted even though it did not meet properly delivery requirements and was subsequently removed. It is not about there being a risk of a cover-up, with material being removed, but it is helpful to have an audit trail. Perhaps the Minister can outline how he envisages that power being used.

Clause 83 amends the Companies Act 2006 so that, as regards material being removed, the court may take into consideration whether the interests of an applicant outweigh the interest of other parties. Can I clarify how this would be used? Would it be used when a third party did not believe that it was appropriate to remove the material? Who else might the applicant be? I am trying to understand when it might be used and a case might come to court to weigh the pros and cons in terms of parties' interests in having that material removed. It would be helpful to have some clarity on that.

2.15 pm

Alison Thewliss (Glasgow Central) (SNP): I have some questions about new clause 7. I am reading through it and trying, as I have done with many of the amendments, to put myself in the scenario of being the person who is carrying on business in the United Kingdom. It says that as that person, I am obliged to

"obtain specified information about a customer (or prospective customer)…before entering into a business relationship with them, or…during a business relationship with them"

and I have to identify any discrepancies and report them to the registrar. I get that: if I do that and I see a discrepancy, I have an obligation to report it. It feels as

[Alison Thewliss]

though the Minister is bringing forward a very soft version of a failure to prevent offence, which of course I am fine with.

I want to double-check something, however. The new clause goes on to talk about offences that might be created for failure to comply with the requirements, and I want to know what happens if I, as the person carrying on the business, do not spot a discrepancy. How is it ascertained whether I did not spot the discrepancy—whether it was a genuine mistake on my part—or whether I failed to report something that somebody else later picked up?

We are talking here about convictions, punishable as set out near the end of the new clause, and I am curious about how the regulations will work in practice. If I do not spot a discrepancy and report it, how does the law know that I did not spot it? Perhaps I ignored it because I thought it was not relevant or important, or perhaps I did it deliberately. If I come back after the fact and say, "I didn't report it because I didn't see it," or "I didn't report it because I didn't want to," those are two very different things.

I do not quite understand how the new clause will work. Some people might think it is good and beneficial to go clyping and grassing up people who do not comply, and that is fine, but it is quite a different thing if a discrepancy has been overlooked. I would like the Minister to explain how that will work in practice.

Kevin Hollinrake: I will first take the latter point, which covers some of the shadow Minister's points as well. There will be more detail in secondary legislation about how new clause 7 is expected to operate, but it is quite reasonable to think that third party business entities will understand how this should work. Within that, we would expect there always to be a reasonableness defence if an error was made or something was done in good faith. We would not expect a penalty to be applied in that case, but there will be more detail on that in secondary legislation.

The shadow Minister asked what would happen if an organisation failed to comply with a notice within the 14-day period that it is given to respond. There is an unlimited fine, potentially, for failure to comply. Other situations might even lead to somebody facing a prison sentence of up to two years, in certain instances. A lot would depend on the circumstances involved. That also relates to what the hon. Member for Glasgow Central asked.

The shadow Minister asked for more detail about how the relationship between the registrar and third party companies would work. This does not just refer to the financial sector; it also refers to the legal sector. It would pertain to any organisation that is supervised by money laundering regulations. I think that is the extent to which companies would be bound by the rules on checking discrepancies.

The shadow Minister asked whether there would be a flag if a record was removed. Clearly, there will be a red flag for the registrar themselves, depending on the reason why that record has been removed, and that may be something we cover in further detail in secondary legislation. My immediate reaction is that we would not want red flags to be set against a company that had made an honest mistake, because that might unreasonably set some hares running. I am a little concerned that that might happen if we did as the shadow Minister described.

Seema Malhotra: For clarity, perhaps I can distinguish the difference between a red flag and a record of what has happened. We keep a record of what happens, but a red flag is a cause of concern.

Kevin Hollinrake: Yes. The registrar will have the ability to annotate the register as is appropriate in the regulations we intend to make using the power found in section 1080.

Question put and agreed to.

Clause 81 accordingly ordered to stand part of the Bill.

Clause 82

ADMINISTRATIVE REMOVAL OF MATERIAL FROM THE REGISTER

Amendment made: 13, in clause 82, page 65, line 21, at end insert—

"(6) Omit section 1095A (rectification of register to resolve a discrepancy).".—*(Kevin Hollinrake.)*

This repeals section 1095A of the Companies Act 2006 as in practice the only circumstances in which material would be removed from the register under that section are caught by new section 1094 (inserted by clause 82 of the Bill).

Clause 82, as amended, ordered to stand part of the Bill.

Clause 83 ordered to stand part of the Bill.

Clause 84

INSPECTION OF THE REGISTER: GENERAL

Kevin Hollinrake: I beg to move amendment 106, in clause 84, page 65, leave out lines 40 and 41 and insert—

"sections 64(6A), 67(1A), 73(7), 75(4A), 76(5A), 76A(9) and 76B(9) (which confer powers to suppress a company's name that it has been directed or ordered to change);".

This is consequential on NC34.

The Chair: With this it will be convenient to debate Government new clause 34—*Requirements to change name: removal of old name from public inspection.*

Kevin Hollinrake: Members of the Committee might remember that when we discussed the provisions concerning company name change directions last Tuesday, there was much debate about the 28-day compliance period, a topic on which I have since written to the hon. Member for Feltham and Heston. It is fair to say that we might not have exactly achieved a meeting of minds on that occasion, but we will try again today.

I am grateful to the hon. Members for Feltham and Heston and for Aberavon for withdrawing their amendments in the hope that we could get to a place we agreed on. I think we all agree that a company should have a reasonable amount of time to change its name and that we would prefer compliance rather than an imposed solution involving the registrar defaulting the company's name to its rather anonymous company registration number.

Compliance will, quite legitimately, take some time and effort on behalf of the company. Notice of a proposed change will have to be given to shareholders, and those representing not less than 75% of the total voting rights of eligible shares will have to agree to the change. That is why it is the Government's position that a company should have a minimum period of 28 days to change its name following a direction, with the possibility to ask the Secretary of State to extend that period where necessary.

Hon. Members are right, however, to be concerned about the harm that can flow from offending names. Where the Secretary of State has determined it appropriate to issue a direction, it will almost invariably be the case that the name's presence on the register risks causing harm to users. That is why clauses 17 and 18 give the registrar new powers to remove a company name from the publicly accessible part of the register at the point a direction is issued, so any ongoing harm would be curtailed immediately at that point.

The earlier amendments have very helpfully highlighted for us that this ability to remove an offending name from the publicly inspectable part of the register is not available to the registrar in respect of the name change direction and order provisions that already exist in the Companies Act 2006—but it ought to be. New clause 34 addresses that issue, ensuring that the registrar will have the ability to suppress the name and the subject of a direction or order under all circumstances under which one might be issued.

Government amendment 106 ensures that the general right for people to inspect the register does not extend to offending names that have been suppressed. The effect is that we strike a fair balance between allowing companies adequate time to comply with a name change direction and protecting users of the register from harm that might arise from the offending name remaining visible while the company goes through its internal name change process. I hope hon. Members will welcome these amendments, and I commend them to the Committee.

Seema Malhotra: I thank the Minister for his remarks, and wish to speak to this group on behalf of my hon. Friend the Member for Aberavon as well. I must say that these provisions are not easy to follow, so forgive me for feeling like I will need to reread *Hansard* in a darkened room in order to completely follow what the Minister has said.

Dame Margaret Hodge (Barking) (Lab): I do not think any of us understood a word of that. It would be really nice if the Minister could explain it in black and white, because I just could not get what that was getting at at all.

Seema Malhotra: I give way to the Minister.

Kevin Hollinrake: In layman's terms, it means that if a company is required to change its name because it could cause harm, the registrar can immediately suspend that name from the register—as we discussed last week—so it cannot cause harm.

Seema Malhotra: I give way to my right hon. Friend the Member for Barking.

Dame Margaret Hodge: Perhaps the Minister could also explain how that is different from what we agreed last week.

Seema Malhotra: I thank my right hon. Friend for her question, which the Minister may wish to answer before I continue my remarks.

Kevin Hollinrake: It extends the extent. The registrar did have that power to a certain degree for certain names, but they did not have it in every circumstance, so the Bill extends its right to use the power. Basically, in any situation where a name change is required because it could cause harm to the public, the registrar can immediately suspend that name from the register so that it cannot cause harm in any circumstance.

Seema Malhotra: I am grateful to the Minister for his intervention.

The clauses on the register include important provisions related to information sharing and the parameters of information that may be made available to the public. They are hugely important on a number of levels, facilitating access to relevant information for law enforcement and, more broadly, building public trust and confidence in our laws on economic crime. As drafted, the Bill appears to lean much more heavily towards restricting the availability of information to the public, and as we have said, an explanation of the Government's thinking and rationale on these issues would be helpful for the deliberations of the Committee.

Clause 84 deals specifically with exemptions from requirements to make information publicly available. Exempting information from public disclosure pending verification by the registrar is a reasonable provision, since it could be argued that such information might otherwise give a misleading or inaccurate picture of the registry if certain information released to the public was ultimately excluded on the grounds that it could not be verified.

Clause 84 also deals with the names of companies registered incorrectly or used for criminal purposes. As the explanatory notes confirm, the intention is to prevent such information from being disclosed to the public, but a slightly clearer explanation of those provisions would be helpful. It seems reasonable in most cases to exclude information submitted in error to the registrar. On company names used for criminal purposes, perhaps the Minister could explain whether the intention of clause 84 is to prevent the disclosure of information relevant to a specific ongoing criminal investigation.

2.30 pm

Kevin Hollinrake: We are not debating clause 84 yet, are we?

Seema Malhotra: Have I jumped? That is my fault. I have just checked the grouping, and I see that we are discussing clauses 82 and 83. In which case, I will stop there.

The Chair: We are debating new clause 84 as well.

Seema Malhotra: I thought it was clause 84 stand part, clause 85 stand part and clause 86 stand part.

The Chair: Sorry, I am getting confused.

Liam Byrne: On a point of order, Ms Elliott. I would be really grateful if you could just clarify where we are in the debate.

The Chair: We are debating Government amendment 106 to clause 84, with which it is convenient to consider Government new clause 34. It is this light; I am afraid I am reading eights for threes. I am terribly sorry.

Dame Margaret Hodge: The light is terrible.

The Chair: It is. I do apologise. So are we clear?

Seema Malhotra: That is clear. I was slightly confused by the grouping, but that is absolutely clear, and I will continue my remarks when we come to the next group.

Kevin Hollinrake: I have nothing further to add.

Amendment 106 agreed to.

Question proposed, That the clause, as amended, stand part of the Bill.

The Chair: With this it will be convenient to consider clauses 85 and 86 stand part.

Kevin Hollinrake: Clauses 84 to 86 all make amendments to the provisions in the Companies Act 2006 about rights to inspect the register and obtain copies of the material on it.

Section 1085 of the Companies Act requires the registrar to make company information available for public inspection. Clause 84 makes consequential technical amendments to the section resulting from the various amendments to the Companies Act that are made elsewhere in the Bill—*[Interruption.]*

The Chair: Order. We need some clarity. We are in the middle of a Committee sitting and it is not appropriate to speak from beyond the bar. May I also say that we need some light? *[Interruption.]* Order. We will resume.

Kevin Hollinrake: I can see my notes very clearly. It is absolutely fine.

The amendments qualify the inspection rights in section 1085 of the Companies Act to ensure that certain information cannot be inspected. The information in question comprises company names that have, for example, been the subject of a registrar name- change direction because of concern that the name's use is for criminal purposes.

The technical amendments to the Companies Act made by clauses 85 and 86 improve the integrity of the companies register and prevent the abuse of personal information held on it. Clause 85 makes amendments that relate to copies of material on the register, clarifying that the right to require a copy of material on the register applies only to materials that are available for public inspection. The clause also removes the option that an applicant has for submitting applications to require a copy of an enhanced disclosure document in paper form or electronically. It allows the registrar to determine the form and manner in which copies of registered material are to be provided under section 1086 of the Companies Act.

Seema Malhotra: Clause 84, as I alluded to earlier, deals with names of companies registered incorrectly or used for criminal purposes. The explanatory notes confirm that the intention is to prevent such information from being disclosed to the public. Excluding information submitted to the registrar in error seems reasonable, as I mentioned earlier, in most cases. With regard to company names used for criminal purposes, I would be grateful if the Minister could clarify whether the intention behind clause 84 is to prevent the disclosure of information relevant to a specific criminal investigation that may be ongoing. I am sure that we all agree that sensitive information should not be disclosed if doing so would compromise an active investigation by law enforcement agencies. If, however, all investigations and, where relevant, prosecutions and court proceedings have reached their conclusion, there might be an argument for public disclosure of said information about the company in question to then be permitted.

If it is the Government's intention to prevent disclosures of company names used for criminal purposes only in circumstances where it is absolutely necessary to do so, perhaps the wording of clause 84, which is currently quite broad, may be usefully amended to reflect that. I am also raising those concerns on behalf of my hon. Friend the Member for Aberavon. Perhaps there could be a specific provision enabling information on such company names to be disclosed to the public once any criminal proceedings are over in cases where there may be a public interest to do so. It would be helpful if the Minister could set out the Government's thinking on those issues.

Clause 85 amends the Companies Act to give more powers to the registrar, for instance in relation to the format in which information may be provided. The provision enabling the registrar to require an application for access to information to be submitted electronically is broadly welcome, inasmuch as it supports the wider objective of delivering more streamlined and effective services, although it may be helpful for the Minister to clarify when he expects a fully electronic process for members of the public to request and access information held by the registrar to be up and running.

Clause 86 extends the scope for information, including information of the kind covered by previous clauses, not to be disclosed by the registrar. The more general question of what information should be made publicly available, and the criteria on which those decisions are made, will be discussed shortly in relation to the next clause, but I would be grateful for the Minister's comments.

Kevin Hollinrake: Clause 84 relates to issues that we debated earlier. The information in question comprises company names that have, for example, been the subject of a registrar name change direction because of a concern that the name's use is for criminal purposes. I do not think that there is anything different here from what we have already discussed. It deals only with the exception to the general rule of making the entire

register available to the public where the registrar uses her discretion to take a name off the register. It is not related to police investigations; she would suppress the name of a company for other reasons.

Question put and agreed to.

Clause 84, as amended, accordingly ordered to stand part of the Bill.

Clauses 85 and 86 ordered to stand part of the Bill.

Clause 87

PROTECTING INFORMATION ON THE REGISTER

Seema Malhotra: I beg to move amendment 114, in clause 87, page 68, line 7, at end insert—

'(7A) Regulations under subsection (1) above may not prevent the registrar from making available for public inspection information mentioned in paragraphs (a) to (d) unless there are compelling reasons for the information to be withheld.

(7B) For the purposes of subsection (7A) above, "compelling reasons for the information to be withheld" include circumstances in which the registrar may decide that public release of the information may result in—

(a) a serious threat to the personal safety and security of the individual to which the information relates;

(b) adverse effects on any investigation by an appropriate officer of a suspected offence under this Act;

(c) adverse effects on the ability of an appropriate officer to impose a penalty for any offence under this Act; or

(d) a clear risk to the national security of the UK;'.

This amendment seeks to expand the registrar's powers to release information about the Companies House register, where it is in the public interest to do so, while also enabling personal information relating to an individual to be withheld in cases where there are compelling reasons to do so.

It is a pleasure to speak to the amendment, tabled in my name and that of my hon. Friend the Member for Aberavon. It appears at least possible that the Government could place strict limits on the rights of journalists to request information, for example, in connection with investigations that may well be firmly in the public interest. Disclosures of that kind have been seen in the Panama papers and the Paradise papers. Those are just two examples of how important it is that legitimate journalistic access to information held by the registrar must be protected.

It is with those concerns in mind that we have tabled amendment 114. Its aim is to ensure that there is a default presumption in favour of disclosing information in response to a request, whether from a journalist or an ordinary member of the public, and to ensure that legitimate requests are refused only when there is clear evidence of a compelling reason to do so. We believe that the powers granted to the Secretary of State under clause 87, as drafted, are simply too broad. We therefore strongly urge the Government to support the sentiments in amendment 114.

Kevin Hollinrake: I am not sure that what we are trying to do here is relevant to the matter that the hon. Lady raised. Amendment 114 would prevent regulations being made to allow the registrar to make information unavailable for public inspection under new section 1088 unless there are compelling reasons for the information to be withheld, which this amendment outlines.

Of course, there are instances where disclosure of information on the public register is inappropriate—I think we have all agreed that through the course of this debate—for instance, where it could lead to an increased risk of fraud and identity theft, or put individuals at risk for some reason, such as in cases of domestic abuse. There are limitations in the extent to which existing provisions in the Companies Act 2006 allow personal information to be withheld from the public register. We want to expand that to ensure that personal information is properly protected.

Clause 87 amends the Companies Act to allow individuals to apply to the registrar to suppress information relating to an individual or address and prevent it from being disclosed or made available for public inspection. That will include their residential address, signature, business occupation, and date of birth in old documents.

Dame Margaret Hodge: This is another opportunity to raise the issue, to which I have not had an answer, of Fedotov. That is how he kept his name off the— *[Interruption.]* It is. We just need an answer.

Kevin Hollinrake: The answer is that any person applying under the exemption will have to prove to the registrar that there is sufficient evidence of a serious risk of violence or intimidation to protect their names or information. If necessary, the registrar will refer cases to an appropriate law enforcement agency and will have the power to revoke protection if information comes to light to suggest that false evidence has been provided.

Does the right hon. Lady honestly think that a registrar, who has a duty and responsibility to protect the integrity of the register, would assist an oligarch, for example, in trying to hide information? I think we are into conspiracy theory territory here, which I do not think will get us very far.

Dame Margaret Hodge: In general, I would agree with the Minister. However, the truth is that Fedotov did manage that. If the Minister could provide an explanation of why and how that happened, then we might get greater comfort in this Committee that those circumstances will not arise again.

Kevin Hollinrake: I committed earlier to look into that case, and I will, but the Usmanov case, as I said, was a completely different case. The whole reason why we are bringing forward this legislation is to improve transparency and fight economic crime. The right hon. Lady's indication that perhaps the registrar might be complicit with Russian oligarchs, who may be guilty of economic crime, is not really plausible.

These are reasonable provisions for people whom we suggest might be at risk of harm if we publish that information, and they have to demonstrate that that harm is a salient risk. They are reasonable provisions that would be used fairly sparingly in the main, but nevertheless there have to be those kinds of provisions where somebody is at risk of harm. That does not exempt the applicant from providing the information to the registrar, where it is still required by legislation, but it will no longer be displayed publicly. Critically—and this should answer the right hon. Lady's point—information would still be available to law enforcement agencies and other public bodies. It would not be appropriate to limit the registrar's ability to protect personal information in the way proposed by the amendment.

2.45 pm

Currently, there is a mechanism under the Companies Act 2006 for individuals to apply to have all of their personal information protected if they are at risk of harm. Regulations specify that an application can be made if the applicant reasonably believes that if their information is disclosed by the registrar, the activities of that company—or one or more of its characteristics or personal attributes of the applicant when associated with that company—will put the applicant or a person living with the applicant at serious risk of being subjected to violence or intimidation. One example is where an individual is a person with significant control of a company involved in animal testing.

The Government consider that the compelling reasons proposed would have merit where a person applies to protect all of their personal information, in addition to the grounds in the existing regulations. Under new section 1088(2)(b) as drafted, the grounds on which an application may be made can be specified in regulations. The regulations will be subject to the affirmative procedure, so that Parliament can have full scrutiny of the detail. I hope that this provides assurance to Members.

Seema Malhotra: I will not push amendment 114 to a vote. It is an area where there is probably further debate to be had but, having reflected on that with my hon. Friend the Member for Aberavon, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

Kevin Hollinrake: As we have discussed, there are instances where disclosure of information on the public register can lead to an increased risk of fraud and identity theft or put individuals at risk for other reasons, such as in cases of domestic abuse. The clause addresses this by amending certain sections of the Companies Act 2006 that confer or otherwise relate to the power for the Secretary of State to make regulations, permitting applications for personal information to be suppressed or protected, which means that the information is not made available on the public companies register.

Seema Malhotra: I wish to make a few remarks. I take on board the Minister's comments, and we all agree about instances where there may be domestic violence reasons, for example, or other security and personal information reasons for why an individual's home addresses and so on should not be disclosed. As discussed earlier, transparency plays a vital role in building public confidence in our ability to crack down on fraudulent or other criminal abuses of our companies legislation. Arguably, clause 87 grants an extraordinary degree of power to the Secretary of State to specify in regulations not just what information may be disclosed to the public, but who might be permitted to request information in the first place and on what grounds. It is quite a long clause. We had a debate before on the questions about safeguards, some of the uses of those powers and the extent to which there may be information that is not publicly available that ought to be, in the public interest. I would be grateful for a further discussion of the matter. I will work with my hon. Friend the Member for Aberavon to put together a note for the Minister with some more specific points to which it would be useful to have responses before Report.

Kevin Hollinrake: I just want to reiterate that all protected information, whether suppressed or not, is available to law enforcement agencies. That is the critical point. Individuals who seek to use these exemptions have to provide sufficient evidence of a serious risk of violence or intimidation, and that protection can be revoked if new information comes to the registrar's attention that she feels casts doubt on the original assertions.

Question put and agreed to.

Clause 87 accordingly ordered to stand part of the Bill.

Clause 88

Analysis of information for the purposes of crime prevention or detection

Dame Margaret Hodge: I beg to move amendment 119, in clause 88, page 68, line 15, leave out from "must" to the end of line 17 and insert

"analyse information within its possession with a view to preventing or detecting crime."

The Chair: With this it will be convenient to discuss the following:

Amendment 120, in clause 88, page 68, line 17, at end insert—

"(1A) In carrying out the analysis the registrar must make use of its power to require additional information under section 1092A where the registrar considers that such additional information may contribute to the prevention or detection of crime."

Amendment 116, in clause 88, page 68, line 17, at end insert—

"(1A) As part of the analysis under subsection (1), the registrar must carry out a risk assessment to identify where the information it holds might give rise to a matter of concern.

(1B) Where the assessment identifies a matter of concern, the registrar must—

(a) carry out whatever further analysis it considers necessary; and

(b) share any evidence of unlawful activity it identifies with the relevant law enforcement agency.

(1C) For the purposes of this section, a "matter of concern" includes—

(a) inaccurate information;

(b) information that might create a false or misleading impression; or

(c) evidence of economic crime."

New clause 37—*Duty to check person of significant control status*—

"(1) The Companies Act 2006 is amended as follows.

(2) After section 790LP (Offence of failing to comply with sections 790LI to 790LN) insert—

"790LQ Duty to check person of significant control status

(1) This section applies when a registrable person's identity is verified under section 1110A(1) and a risk assessment carried out under section 1062A(1A) has identified a matter of concern in relation to the registrable person.

(2) The registrar must take steps to ensure that the registrable person whose identity is being verified is a person with significant control over the company.""

New clause 38—*Risk-based examination of accounts of dissolved companies*—

"(1) The Companies Act 2006 is amended as follows.

(2) After section 1062A (analysis of information for the purposes of crime prevention and detection) insert—

"1062B Risk-based examination of accounts of dissolved companies

(1A) In a case where the registrar's risk assessment under section 1062A(1A) has identified a matter of concern in relation to a dissolved company, the registrar must examine the accounts of the dissolved company with a view to establishing whether any economic crime has been committed.

(1B) The registrar must share details of any evidence gathered under subsection (1A) with the relevant law enforcement agencies.""

New clause 41—*Disclosure of control of 5% or more of shares in a public company—*

"(1) This section applies to shareholdings in public companies as defined by section 4 of the Companies Act 2006.

(2) A person who controls 5% or more of the shares in a public company must declare this fact to the registrar.

(3) The duty in subsection (2) applies whether the person controls the shares directly or indirectly.

(4) The registrar may impose a penalty on any person who fails to comply with the duty in subsection (2)."

This new clause would require all persons controlling 5% or more of the shares in a public company to declare the total amount of their shareholding to the registrar. This would, for example, require a person controlling shares through multiple nominees to declare the total number of shares they control.

New clause 42—*Verification of persons controlling 5% or more of shares in a public company—*

"(1) This section applies where—

(a) a person has disclosed to the registrar control of 5% or more of the shares in a public company under section [Disclosure of control of 5% or more of shares in a public company], and

(b) the registrar has identified a matter of concern under subsection 1062A(1A) of the Companies Act 2006.

(2) the registrar must—

(a) verify the identity of that person, and

(b) verify the number of shares that person claims to control."

This new clause should be read together with Amendment 116 which inserts subsection 1062A(1A) into the Companies Act 2006. It would require the registrar to verify both the identity and the shareholding of a person who controls 5% or more of shares in a company where the registrar's risk-based analysis set out in Amendment 116 has identified a matter of concern.

New clause 43—*Disclosure of shares held by nominee—*

"(1) This section applies to public companies as defined by section 4 of the Companies Act 2006.

(2) Any person holding shares in a public company as nominee for another person must disclose this fact to the registrar.

(3) The registrar may impose a penalty on any person who fails to comply with the duty in subsection (2)."

This new clause would require shareholders of a company to disclose the fact that they are acting as nominees. Failure to comply could result in a penalty.

Dame Margaret Hodge: I am hoping I can see, because the light is so bad—

Kevin Hollinrake: What a shame!

Dame Margaret Hodge: The Minister is delighted. All the provisions are grouped together, so he will have to listen to me forever. The lighting is not much better, but we will see how we go—I know we are saving energy.

The provisions that we are discussing all sit together. I will start with amendments 119 and 120, with which we are trying to strengthen the duties, rather than the powers, of Companies House. During the course of the Committee's discussion of the Bill, we have considered how UK corporate structures and vehicles are used to move, hide and launder money. When the Bill is enacted, although I hope that it will be amended to strengthen the nature of the information we get by strengthening the supervision of company service providers, Companies House will hold a wealth of data.

Amendment 119 seeks to make it compulsory for Companies House to analyse that data to prevent and detect crime. By removing some words, it would be tougher than the current wording of the clause, according to which Companies House could analyse that data, but does not necessarily have to. The clause says

"as the registrar considers appropriate",

and, without the amendment, Companies House could and will argue that it does not consider analysis "appropriate". We would remove that provision and say that the registrar must use the data that has been made available to her to see whether or not it can support us in our efforts to avoid crime.

I have one other thing to say about this issue. We have talked a lot in the debate about corruption and the way in which it has impacted the UK economy. As we discuss the Bill further, we have to remember the impact it will also have much more widely. According to the ONE Campaign's latest estimate, around $1 trillion is lost every year to corruption in developing countries. A lot of that comes through the abuse of corporate structures that we have in the UK. That is just one example that demonstrates how UK corporate structures facilitate theft and corrupt activity.

I know that that is under the current regime and that much of this should go when we get to our new regime. However, I will give another example of how the abuse of UK corporate structures led to money, again, coming out of Russia, which is the bottle laundromat—another of these laundromats—that was uncovered by Transparency International. British companies were, again, at the centre. It was a money laundering operation from 2014 to 2016 where $820 million came out of Russia. Again, it involved—classically—a network of shell companies, many of them UK firms, that apparently sold bottle-moulding machines to Russia.

Kevin Hollinrake: The right hon. Lady raises some important cases, and she is right to do so. Is that not exactly why we are trying to do this in this way? There are 4.5 million companies registered in England. Around 700,000 companies are registered every year, or 2,000 a day, and 400,000 are dissolved every year. If she is asking Companies House to analyse every single company—that is exactly what her amendment says—to determine risk, she is asking too much of Companies House and she will miss the important needles in the haystack that she refers to.

Dame Margaret Hodge: Were I asking that, that would be unreasonable but if the Minister takes all my amendments together, he will see that they and others talk about a risk-based assessment of the available data.

Kevin Hollinrake: The amendment does not say that. It says that

"the registrar must carry out a risk assessment",

not a risk-based approach. There is a big difference in terms of what the right hon. Lady is asking for.

Dame Margaret Hodge: But when we come to the new clauses, which we will discuss later, they say "risk-based". It is a risk-based assessment. Perhaps the Minister could explain what the difference is.

Kevin Hollinrake: The amendment says

"a risk assessment to identify where the information it holds might give rise to a matter of concern."

That certainly says to me that a risk assessment would be required for every company. To me, a risk-based approach would identify various pieces of information, and Companies House would act on that information and determine whether the risk is from companies, directors or persons of significant control and act on that. That is our approach; the right hon. Lady's approach is moving away from that.

Dame Margaret Hodge: The Minister is misinterpreting our approach. I am sorry if he reads it that way, but I agree that we are not asking for 100%. He calls it a risk-based assessment; I call it a risk assessment. Apologies for the difference in language.

Liam Byrne: If we were having this debate in my constituency, my constituents would say to me and, indeed, to the Minister, "We want to hire a police officer to stop crime." If we look at a definition of what a police officer does, they maintain law and order in local areas, prevent crime, reduce fear of crime and improve the quality of life for all citizens. We want Companies House to stop economic crime and that is what my right hon. Friend's amendments seek to achieve.

Dame Margaret Hodge: And presumably the policeman does not knock on every door.

Kevin Hollinrake: Precisely.

Dame Margaret Hodge: At the moment, the Bill says—I can't read it because there is no bloody light! It is a thing that as you get old, your eyes aren't brilliant:

"The registrar must carry out such analysis of information within the registrar's possession as the registrar considers appropriate".

We are attempting to take that wording out of the Bill to make it a duty, because otherwise we know from the other enforcement agencies and the work of other Government agencies that unless clearly directed, the real work would not be done. There would be an excuse. They would be busy doing something else. This is their key proactive role. We can go on and on about it during the course of the Bill, but I assure the Minister that the registrar should do it in a risk-based way. She should not do it, as the Bill says, as is appropriate; she should just do it. That is really the first thing.

I will quickly describe the bottle laundromat. The Minister and I are very familiar with all the stories, but other members of the Committee are not, and the stories are pretty shocking. Every time we hear another one, it is shocking. The stories reinforce the justification for the sort of interventions that Labour Members want to include in the Bill.

3 pm

British companies were at the centre of a money laundering operation that took $820 million dollars out of Russia under the pretence of providing bottle-moulding machines to Russia. In many of the cases, the invoices were completely phoney—no bottle-moulding machines were delivered to Russia in the end. Even when that did happen, the prices were so inflated that the process became a mechanism to take money out of Russia.

In six days in November 2014—this is where Britain comes in—one UK company, Bexton Eurotrade Ltd, which was founded in the UK in 2013, took more than $61 million for four deals. The company had £442 in the bank. It evaded UK law by stating that the beneficial owner was an opaque company on Cook Islands. It is all part of a constant stream.

A foundation that controlled Bexton and 13 further UK shell companies was based in the Cook Islands. Who was that signed off by? It was signed off by one of these company services providers: Stephen Glen Cox. He is a UK resident. He is all over Google. Anyone who googles him now will see him offer his services. He has signed hundreds upon hundreds of limited partnerships and has never, ever been registered for AML supervision. That is just another story, and one that has perhaps not been as prevalent as others.

Stephen Glen Cox broke UK law; Companies House and the enforcement agencies did nothing. The people who uncovered the scheme were Transparency International. It should not have been that organisation; it should have been the agencies. We need to get the right enforcement, the right investigation, the right detective work and the right provisions in place, and we are proposing amendments that would make the Bill stronger. This is not about words, but about real things that will have an impact.

Amendment 116 sets out the context. The amendment—I will not read it out, but I will set out its intention to the Minister, if that is helpful—requires Companies House to conduct a "risk assessment". Is that okay?

Kevin Hollinrake: No.

Dame Margaret Hodge: I think this is about a different interpretation of words.

The amendment would require Companies House to conduct risk assessments of the information and data it holds on the register for the purposes of the prevention and detection of economic crime. The amendment also creates a basis for new clauses 37 and 38, to introduce an obligation on Companies House to use all the data it collects to identify where economic crime risks lie.

I genuinely think we are quarrelling about words, not about what we want to do. On the basis of that risk assessment, or whatever word the Minister wants to use, Companies House would then decide when to use its powers proactively.

Interestingly enough, my wonderful staff have looked it up, and everybody else uses these terms. We are not alone in this. The Financial Action Task Force standards talk about risk assessments. It talks about a "risk-based approach". Is that language better for the Minister?

Kevin Hollinrake: Much better.

Dame Margaret Hodge: It means the same to us—I think the Minister is really being a little bit pedantic here. If we bring the amendments back on Report with the words "risk-based", perhaps we will have a better chance of getting them through.

The risk-based approach is central to the implementation of FATF's recommendations. The UK's AML regime and the Council of Europe use a risk-based approach, as does the private sector. I want to use a risk-based approach, and so does the Minister, so why do we not just get on with it?

Kevin Hollinrake: We do, and it is exactly what the clause states:

"The registrar must carry out such analysis of information within the registrar's possession as the registrar considers appropriate for the purposes of preventing or detecting crime."

In other words, the registrar identifies a red flag and then does an investigation. The right hon. Lady's amendment 116 says:

"the registrar must carry out a risk assessment to identify where the information it holds might give rise to a matter of concern."

That is a non-risk-based assessment.

The Chair: Order. Minister, may I intervene for a second? You will have time to respond to all this in the debate, but that is a very long intervention.

Dame Margaret Hodge: I have to say we disagree, but I will come back to this issue. I think our proposals strengthen the Bill.

I tabled my amendments to clause 88 because I do not support the wording of

"as the registrar considers appropriate".

I have to say to the Minister that we discovered in this morning's sitting that the company registrar has so far registered 3,000 properties for a register that has now been in place since August. In three months, she has done 3,000, but there are 138,000 to deal with. At that rate—if she does 12,000 a year—she will be there till doomsday, so putting a little bomb underneath her to ensure that she takes action is important.

Liam Byrne: My right hon. Friend is making a brilliant speech. If anything, the Minister has caused more alarm than he might have intended this afternoon by referring to the language in the Bill that says the registrar must take account of the information that she holds. There is no way that we would ask a police officer to police Hodge Hill simply with reference to the information that that police officer happens to hold. We would ask the police officer to look at the crime environment in the constituency as a whole, taking account of all kinds of perspectives, not simply the information that he or she happened to have in their little black book.

Dame Margaret Hodge: I will move on to new clause 37, which has the aim of checking that the stated person of significant control really is the person who controls the company. Powers to get information, to reject documents, to require information and to remove documents all sit in the Bill. The new clause would ensure that, through a risk-based assessment—I just reiterate that for the Minister—Companies House would proactively check that the person named as the PSC was the PSC in reality. Current legislation requires the ID verification of a company owner, but not the verification of their status as a company owner, so the risk remains that nominees will continue to be put forward as owners of companies despite the real control being elsewhere. The risk is heightened if the Minister does not move to ensure that company service providers are properly regulated, supervised and vetted before the whole system comes into force.

In the current system, there are endless examples that demonstrate the extent of the problem that the Minister and the Government are trying to tackle—we are trying to contribute to that process. One is the famous dentist in Belgium. From an interrogation of the Companies House register, we know that five beneficial owners control more than 6,000 companies, which is a huge red flag. Some 4,000 of them are under the age of two, and 400,000 companies—almost 10% of the total—still do not declare a person of significant control. We have the Azerbaijan laundromat example, where a lorry driver in Baku was named as the person of significant control and had no idea that kleptocrats from Azerbaijan were taking all the money out of the banks and money laundering it elsewhere.

There is one filing in Companies House for which I thought I would name the person of significant control. The company is called Global Risks Reduction Funding Ltd, and the name is listed as—I will take a deep breath—

"Neutral-Claimant-Federal-Witness-Director-Captain-Postmaster-Bank-Banker-Plenipotentiary-Notary-Judge-Vassalee For The Vessel-Phouthone-Thone: Siharath."

I do not think anybody has questioned that as the person of significant control. The whole thing is absurd.

An important point for the Minister is that, in 2019, Transparency International did a quick Google search and found 23 active company service providers that were offering the service of nominee persons of significant control—that was one quick search of one directory. When Global Witness undertook research on Scottish limited partnerships, it found that 40% of the beneficial owners of Scottish limited partnerships were either a national of a former Soviet country, or a company incorporated in the former Soviet Union.

Alison Thewliss: I have been tracking for some time the number of times when a person of significant control for Scottish limited partnerships has not even been registered. Does the right hon. Lady agree that it is ridiculous that there are still 201 companies for which a person of significant control does not exist at all?

Dame Margaret Hodge: Yes. The law is being broken but nobody is pursuing those who are guilty.

These are all reasons for closely monitoring data on persons of significant control. The measure would simply put a duty on Companies House to be proactive and to check the status of the person named on a risk-based basis, not just via their personal details.

New clause 38 deals with dissolution, which has been raised with me by a number of stakeholders. We know of numerous instances of bad people dissolving companies for nefarious purposes. The new clause would ensure that the registrar looks at the accounts of a company seeking to dissolve to ensure that no fraud or other crime has occurred. If the registrar found such cause for concern, she would have to pass the information on to relevant enforcement agencies.

[Dame Margaret Hodge]

We are all very familiar with the phoenixing of companies and the role that that practice has played in facilitating fraud. I have chosen as an example the case of Rodney and Pauline Williams, which is typical. They ran a company called Curio Bridal Boutique Ltd. They made false representations to take money out of the company and put it into another company in anticipation of winding up Curio Bridal Boutique. They took £111,000, of which they put £42,000 into the pockets of their own family. They were detected and convicted, but sadly the successful detection of such cases is all too rare and the practice happens all too often.

The Troika Laundromat—another of the laundromats that has hit us over the last 10 years or so—is another example of where a leak of documents showed how one of Russia's largest investment banks, Troika Dialog, was central to the channelling of billions of dollars out of Russia. That leak covered 1.3 million transactions. It involved more than 1,000 UK limited liability partnerships, and it was found that the UK had been handling nearly £10 billion of dodgy Russian money. One UK-based company was found to have made payments totalling £360 million, although it filed accounts each year and dared to declare itself dormant. It then dissolved itself in 2014. That company was called Stranger Agency LLP.

3.15 pm

Another company in that leak, Roberta Transit, never filed accounts at Companies House after it was set up in 2007. A year later, the agents who acted as members applied for it to be struck off, but in a three-month period, they handled £36 million of transactions before liquidation. They actually handled £139 million after liquidation. Our new clause would ensure that there is a duty on the registrar to examine the accounts of dissolved companies. It would just to put a little brake on practice.

New clause 41 would require all persons controlling 5%—we have brought the figure down—or more of the shares in a public company to declare the total amount of their shareholding with the registrar. That would, for example, require a person controlling shares through multiple nominees to declare the total number of shares they control. We know that a lot of Russian kleptocrats, in particular, use the 25% device as a way of hiding—they come in at just under the 25% and therefore get away from our regulations. New clause 42 would require the registrar to verify the identity and shareholding of a person who controls 5% or more of shares in a company when the registrar's risk-based analysis, as set out in amendment 116, has identified a matter of concern.

Seema Malhotra: It is a pleasure to speak in this debate on amendments and new clauses relating to clause 88. My right hon. Friend has gone through the measures in considerable detail, so I will limit my remarks, but I want to put on record a number of points about them, because they are important.

Amendments 119, 120 and 116 would ensure that the registrar, rather than carrying out analysis as she sees appropriate, would analyse information in her possession with a view to preventing or detecting crime. I hope that hon. Members agree that we all want the same thing. I also hope that the Minister recognises the work that has gone into thinking this through and seriously considers taking some of the sentiments and wording of the amendments, or perhaps some other wording, to add another layer of robustness to the Bill.

Although the clause does not contain many subsections, it is important, because it is a very big aspect of what we need to be working to achieve and supporting the registrar to achieve, yet it does not go into much detail about Parliament's intentions and what the Minister expects. The Minister and I disagree slightly. Although I agree that some of the amendments might be slightly more prescriptive than we might like—that is partly about probing and making points on the record—the clause sets out remarkably little direction on a very big part of what we want the registrar to do. I hope that the Minister will be able to reflect on the amendments in the round in the context of adding a layer of robustness to the Bill by ensuring that the registrar is clear on her duty to use the information available and the importance of doing so, and therefore giving confidence. Sometimes when legislation is a little too broad, or not clearly interpreted, it can lead to inertia. It is not always clear what can be done or what was intended by Parliament. Therefore, the reaction is to do less just in case something would cross a line. That is where clarity on how the legislation will be interpreted is important. If there are ways in which we can go further without a downside, we should consider them.

Amendment 120 would ensure that, in carrying out the analysis, the registrar will make use of the power to require additional information under section 1092A, where the registrar considers that additional information may contribute. Making that explicit would be helpful. Amendment 116 would require the registrar, when analysing information for the purposes of detecting and preventing economic crime, to take a risk-based approach. I think that we all agree on that, but my right hon. Friend the Member for Birmingham, Hodge Hill expressed what we expect from the police in terms of thinking a little more widely in relation to the prevention of crime.

We do not seek to extend the requirements too far beyond what is practical for the registrar to do, or to detract from their main responsibilities. This is complex, and it is important to think about the role and objective of prevention, and to give some greater clarity about what might be expected by Parliament in relation to achieving it. Where the risk-based assessment that could be carried out identifies a matter of concern, it would be clear that it was Parliament's intention that further analysis that may be needed can be carried out, and that information can and should be shared with the relevant law enforcement agency.

As we have stated, the amendments would help to ensure that the legislation in the end does in practice what it sets out to do. That is what we all want to achieve. Indeed, the amendments would give a little more shape to the proactive role that Companies House would have in detecting and preventing economic crime.

I will speak briefly to new clause 37, tabled by my right hon. Friend the Member for Barking. We welcome the new clause, which would insert a duty on the registrar to check an individual's person of significant control status. That would apply where the registrable person's identity is verified in the way that she outlined. The registrar would then take steps to ensure that the registrable person whose identity is being verified is indeed a person with significant control over the company. The new clause

would ensure that, where there is an identified risk suggestive of potential economic crime with regard to a registrable person who is a person of significant control, that person's status is then investigated by the registrar or put forward for further investigation, depending on the circumstance.

As we have called for throughout the Committee, we must ensure that the Bill acts on its aims and helps move and encourage Companies House to shift from being a passive administrator to a proactive agent, because Companies House plays a very important role as a first line of defence. The new clause would do just that. I welcome the Minister's thoughts on these measures. If he opposes the new clause, as he has hinted he might, can he see some arguments for adding some necessary teeth to the legislation, and might he bring forward suggestions of his own?

New clause 38 would provide that in a case where the registrar's risk assessment under section 1062A(1A) has identified a matter of concern in relation to a dissolved company, the registrar must examine the accounts of the dissolved company with a view to establishing whether any economic crime has been committed. The registrar must share details of any evidence gathered under subsection (1A) with the relevant law enforcement agencies. We welcome the introduction of the new clause, as it would ensure that directors of companies that have been set up and used for fraudulent or criminal purposes are unable to simply dissolve the company to avoid scrutiny or investigation before potentially committing a similar offence with another company.

R3, the insolvency and restructuring trade body, said in its written evidence to the Committee that

"the Government has missed a crucial opportunity to truly close some of the loopholes currently exploited so easily by fraudsters. The Bill's proposals will be limited in their efficacy to bring about real change to preventing and disrupting economic crime if companies used as vehicles for fraud continue to be dissolved and struck off the Companies House register automatically, with next to no due diligence carried out to ascertain whether the company has been involved in fraudulent activity".

New clause 38 would tackle precisely that issue, which has arisen in other parts our debate, and introduce the due diligence necessary to ascertain whether a dissolved company has been involved in criminal activity. In its evidence, R3 outlines that around 400,000 companies—I think the Minister also cited this number—are dissolved and struck off the Companies House register each year. We would be grateful if the Minister responded to what we see as a loophole and, in light of previous discussions, explained whether it goes as far as it could.

I will speak briefly to new clauses 41 to 43. New clause 41 would require a person who controls 5% or more of the shares in a public company to disclose the total amount of their shares to the registrar. It would also require a person controlling shares through multiple nominees to declare the total number of shares they control.

New clause 42 would require Companies House to verify both the identity and the shareholding of a person who controls 5% or more of shares in a company where the registrar's risk-based analysis set out in amendment 116 has identified a matter of concern. New clause 43, tabled by my right hon. Friend the Member for Birmingham, Hodge Hill, would introduce a new provision requiring disclosure of shares held by a nominee. Under the new clause, any person holding shares in a public company as nominee for another person must disclose that fact to the registrar. The registrar may also impose a penalty on any person who fails to comply.

3.30 pm

I have spoken repeatedly in Committee about the need to tackle opaque shareholder ownership; stakeholders have also expressed their concern that the Bill does not go far enough in that respect. Indeed, in evidence to the Committee, Duncan Hames of Transparency International said that when the Bill comes into force,

"shareholder information will become the poor relation on the company register."—[*Official Report, Economic Crime and Corporate Transparency Public Bill Committee,* 27 October 2022; c. 91, Q173.]

That is a really important statement, which bears repeating. That is a particular concern in circumstances where companies claim not to have a person of significant control and shareholder information becomes our next best attempt to understand who is really behind those businesses. That was very important evidence from an organisation that is extremely experienced and well researched in all the relevant issues.

I hope that the Minister will consider the amendments and new clauses in the spirit in which they have been tabled, because they seek to tackle the remaining quite big holes in the Bill. I hope that he takes the sentiment behind them very seriously and I look forward to his response.

Liam Byrne: It is a pleasure to speak to new clause 43, which is in my name but has been drafted with the assistance of my right hon. and hon. Friends. In introducing it, I have to think that the Minister is a lucky man, because there are very few opportunities when any of us in this place have the chance to translate a life's work into the law of the land. Yet that is precisely the opportunity that we have afforded to the Minister, who is steering the Bill so ably through Committee. That is why we are here to help him. The Minister will know that he is living the dream.

I know that the Minister is not insensible to the scale of economic crime in this country or to the threat that it poses, because I was privileged enough to be there in Westminster Abbey just a few months ago, when he got up to speak with his customary eloquence to the launch of the economic crime manifesto. That has been drawn up with input from so many right hon. and hon. Members, and it is the manifesto that declares loud and clear:

"Dirty money is a national security threat…Dirty money causes massive financial damage…Dirty money is damaging the UK's reputation…Dirty money may be pushing up prices for British citizens…Dirty money undermines the rule of law and democratic institutions."

The Minister knows what he is talking about when it comes to the Bill, which is why he is stewarding it so ably through Committee. That is why I know that, as a canny captain in his Department, he is alive to all the constructive recommendations that we are making to him, because that that strengthens his hand.

The Minister has obviously got some theatre to perform because he has to get the Bill through the House and then get it through the House of Lords, and then back through the House of Commons. As an experienced and seasoned political operator, he will know that it is really wise to make a few strategic concessions to the

[Liam Byrne]

Opposition to keep them on side. Although he has not revealed that yet by making us any concessions, it will not be long, and it could be at the conclusion of my speech to new clause 43, because it is a blindingly obvious improvement to a current hole in the Bill.

To make that case, I need to demonstrate three things this afternoon: that use of proxies by bad people is a problem; that use of proxies by bad people is a problem here in our country; and that the Bill is deficient and needs toughening up.

Let me share a few examples of why proxies are such a problem. Where better to start than with exhibit A, Roman Abramovich, who was finally sanctioned earlier this year after a disgraceful period of licence in which he was allowed to do terrible things like buy football clubs? Now he has of course put Chelsea football club into some sort of trust. The money is frozen. He has declared that all net proceeds from the sale will be donated to the victims of the war. Members on both sides will have been as surprised as I was to hear from the Foreign Office Minister this morning at Foreign Office questions that that money has still not been routed to victims of Russia's barbarity in Ukraine; it is still frozen by red tape and bureaucracy in this country.

That is an outrage, because Roman Abramovich secretly transferred hundreds of millions of pounds in assets, including private jets—including the world's biggest private jet—to his children just days before he was placed under sanctions. That is not my view; that is the view of the Federal Bureau of Investigation. The oligarch has seven children, aged between eight and 30. He is alleged to have made his offspring the beneficiaries of an offshore trust in Cyprus that controls his assets. That transfer was made in February and included a £282-million Boeing 787 Dreamliner, super yachts and trophy items bought through a network of shell companies, including some in Jersey and the British Virgin Islands: Wotton Overseas Holdings Ltd, Jersey; Clear Skies Flights Ltd, Jersey; and Wenham Overseas Ltd, British Virgin Islands.

All that begins to illustrate how a bad actor has used proxies to circumvent sanctions and sanction controls. The tragedy of course is that it was not Companies House that proactively brought the matter to the House to say, "Here we are, folks. I think we have a bit of a problem"; no, we have to learn about it not from Companies House or a British crime enforcement agency, but from the United States, where the authorities brought an action and forced disclosure of the information in the American courts. That underlines my point that use of proxies is a systemic problem.

I want to go further, however, and to illustrate how the use of proxies is a systemic problem of economic crime here in our country. Who better to illustrate that than Alisher Usmanov? He has strong ties to President Putin and his inner circle. On 22 March this year, it was revealed that Usmanov's sister, a gynaecologist based in Tashkent, had the beneficial ownership of 27 different Swiss bank accounts with hundreds of millions of dollars in them. In fact, analysis of the suspicious activity reports related to those accounts showed that they had been moving around about $1.6 billion. That was revealed in *The Guardian* newspaper. His assets include a $600-million super yacht, the Dilbar, an Airbus H175 helicopter and UK properties including Sutton Place, a 16th-century Tudor house in Surrey, which are held through a range of different trusts. He is widely known as someone whom we should be taking far more aggressive action against than we are today.

We then have the case of Dimitry Mazepin. He was —is—the controller of Uralchem and a number of other fertiliser companies on behalf of President Putin and the Russian Government. Among the holding companies in Mazepin's group is Uralchem Freight, based in Cyprus, which has control of a fertiliser terminal in Latvia. The Latvian press, however, reports that the beneficial owner of that organisation is someone called Aamar Atta Bhidwal. That is the same name as a director of Quest Resources, incorporated at Companies House on 16 July 2021, in Guisborough. The co-director was someone called Gordon Alexander, a director of Hutton Chemicals. Quest is also, we are told, in the beneficial ownership of a company with close association with Mr Mazepin.

Clearly, there is already a risk that UK nationals on the Companies House register can be used as proxies, whether wittingly or unwittingly, by someone who is sanctioned.

Kevin Hollinrake: Will the right hon. Gentleman give way?

Liam Byrne: I will give way to the Minister, but there is more to come.

Kevin Hollinrake: I intervene in the hope that I might abbreviate the debate—I am probably going to fail. Is the right hon. Gentleman aware that it is already the case in law that a share held by a person as a nominee or proxy for another is to be treated as though the share is held by the true owner? Also, in law, failure to declare the true owner is a criminal offence. Is he aware of that?

Liam Byrne: Yes, of course, but the Minister must also be aware that the provisions he has sketched into the law have comprehensively failed, as my next example will now prove.

Mazepin was the majority owner of Hitech Grand Prix, and his son was a racing driver. His company, Uralkali, was the sponsor of this company until March 2022. In March of this year, 75% was transferred to a company called Bergton Management Ltd. The shares were not sold; they were relinquished. There does not seem to have been any cash paid out for this major economic interest in a globally significant grand prix company.

From Bergton Management Ltd, the ownership of the assets moved to somebody called Oliver Oakes, who now controls 75% of the shares. He created Uralkali racing in January of this year. In an interview last year, he called Dmitry Mazepin a friend, associate, colleague and manager. I saw from the Companies House register this morning that he created Hitech Global Holdings on 11 March 2022, just three days after Mr Mazepin and his son were sanctioned.

There is a clear risk that oligarchs are using proxies, and that this misbehaviour is washing up on our shores and in Companies House. That leaves us with the third question: whether there is a hole in the Bill here. We need look no further than the evidence that UK Finance provided to the Committee. I said:

"So you would say to Members of Parliament who are worried about bad people transferring control of an economic asset to proxies that, at the moment, we do not have enough safeguards in the Bill."

The answer came:

"I think they could be improved, yes."—*[Official Report, Economic Crime and Corporate Transparency Public Bill Committee, 25 October 2022; c. 11, Q10.]*

Here is a simple opportunity for the Minister to apply a bit of good old-fashioned belt and braces, make the Opposition happy, keep them on side and ensure that some of his former colleagues who put together the economic crime manifesto are singing his praises wherever they can—accept either the principle or the wording of new clause 43. It asks for nothing more than that any person holding shares in a public company as a nominee for another person must disclose that fact to the register, or face a sanction. That is straightforward, it is not complicated, and it would make a difference.

Kevin Hollinrake: I am grateful to the right hon. Gentleman for his kind words. I remember very clearly my speech in Westminster Abbey that night. He might remember that I talked about corporate criminal liability and whistleblower reform, which are absolutely essential. Indeed, at least one of those falls under my portfolio, so I am certainly committed to bringing forward those reforms when I can.

The only difference between hon. Members of the Opposition and ourselves is the means by which we would achieve the same end. On amendments 119 and 120, I am always happy to look at sensible amendments that take us forward. When Opposition Members talk about those cases, they are talking primarily about cases in the past where we did not have the powers that this Bill provides, and where we did not have the level of enforcement; we both agree that that needs improvement.

Where we differ is on how we go about this. I have serious concerns about the provisions in amendment 116, tabled by the right hon. Member for Barking, which seem to require the registrar to look at every single company on the record. That is exactly what it says. It says that the registrar

"must carry out a risk assessment to identify where the information it holds might give rise to a matter of concern."

The registrar can do that only by looking at every single record.

Dame Margaret Hodge: Will the Minister give way?

Kevin Hollinrake: I will just develop my arguments. I listened to hers at length, and I heard them very clearly. Our approach is a more workable one. I do not think her approach is workable. I think that if we listen to each other's arguments, we are probably saying the same thing. We are trying to overlay the information that sits with the registrar herself in Companies House with information from others, such as banks, lawyers, accountants—we discussed that in earlier debates—and law enforcement agencies in order to identify where the information she holds identifies risks, so that she can then carry out an investigation.

Dame Margaret Hodge: Will the Minister give way?

Kevin Hollinrake: I will develop my point a little further, and then I will let the right hon. Lady intervene.

3.45 pm

As I have said previously, I do not believe in micromanagement through legislation, although we want to make sure this legislation is implemented to the degree we would like to see. To respond to the right hon. Member for Birmingham, Hodge Hill, it is not the case that a police officer simply looks at his little black book and says, "I will restrict my investigation to what I have in here"; quite the opposite. In our debates on many other clauses, we have discussed the sharing of information. We have talked about the two-way flow of information between different agencies, in both the private and public sectors, to inform the contents of the little black book, as the right hon. Member calls it, and determine whether a salient risk is posed by a company, one of the officers of a company, or a person of significant control. Indeed, the banks, lawyers, accountants and other people who are supervised under money laundering regulations have a duty to proactively report discrepancies to Companies House to inform the registrar.

The right hon. Member also made the point that journalists draw attention to much of this information. Journalists do a fantastic job—many of the cases that have been referred to today are based on a journalist's excellent work—but that ability will be enhanced through the extra information that will be provided through the registrar.

Liam Byrne: My concern was to ensure that the registrar has a crime-fighting obligation, and that when she conducts her risk assessments, she is not constrained merely to the information that is before her—that which is on the register.

Kevin Hollinrake: As the right hon. Member knows, objective 4 establishes exactly that: an obligation

"to minimise the extent to which companies and others carry out unlawful activities, or…facilitate the carrying out by others of unlawful activities."

That is quite clearly in the Bill.

New clauses 37 and 38 would require the status of a person with significant control and the accounts of dissolved companies to be checked by the registrar. The registrar would be required to carry out a risk assessment of all those companies—roughly 1,000 companies per day. Members might be thinking that every person with significant control has some connection to Russian dirty money or Russian oligarchs, but the vast majority of state-owned enterprises have a person with significant control, because they own more than 25% of those companies. For the registrar to look at 1,000 companies every single day to determine whether there is a risk, and then investigate further—that is exactly what the right hon. Lady's new clauses would require—would not be practical.

Dame Margaret Hodge: This is becoming a rather absurd psephological debate. I have just asked my right hon. Friend the Member for Birmingham, Hodge Hill whether I have got the wording wrong—whether there is a great difference between risk assessment and risk-based assessment. Perhaps Government Members will tell me differently, but those two things are the same, and we should not try to locate a difference between them.

[Dame Margaret Hodge]

The last thing any of us wants to do is micromanage any of our organisations through legislation, but we have to look at the experience and the record of all the enforcement agencies and bodies in the financial services sector over the years. If we have colleagues of ours in the House doing that, they will meet with massive criticism. One way to tighten and toughen this up without having to get involved in the minutiae is to move from powers to duties, which is the purpose of a lot of the amendments we are debating today. If the Minister does not take seriously some of these practical suggestions, he is in danger of setting up a new system that is as open to abuse as the current system, and we will be back here in a couple of years putting it right.

Kevin Hollinrake: All legislation needs improvement, but we must not put the registrar under a duty that makes her job impossible. That is what the right hon. Lady's amendment would do. That is what I am pointing out to her; not that I do not think—

Dame Margaret Hodge *rose—*

Kevin Hollinrake: I cannot let the right hon. Lady intervene again. We are pressed for time. We just do not agree on this point. I think that we agree on the broad sentiment that there should be a risk-based analysis, but that is not what her amendment says.

With 1,000 companies resolved every day, it would be impractical to have a risk assessment of every single one of those companies and to then do the risk-based analysis. I think that the amendments are too directive, and I ask Members not to press them. I am happy to consider whether there is a less prescriptive formulation that we could add to the clause to have that effect. I completely understand and concur with Members' broad objective. Of course we want a proactive regulator who determines where the risks are and acts on information, be it from journalists, private sector companies or enforcement agencies, to inform her work and to make sure that she pursues those who are most likely to be guilty of wrongdoing.

A couple of Members referred to the Russian sanctions regime. In the Russia (Sanctions) (EU Exit) (Amendment) (No. 13) Regulations 2022, we broadened the designation criteria to include specified immediate family members and those with links to Russian state-owned businesses. There are, of course, things like the combating kleptocracy cell at the National Crime Agency.

New clauses 41, 42 and 43 seek to address concerns about nominee shareholders. New clauses 41 and 42 would require people who control, directly or indirectly, 5% or more of the shares in a public company to declare themselves. New clause 43 would require any person holding shares in a public company as a nominee for another person to disclose that fact to the registrar. The new clauses would put additional obligations to disclose information to the registrar on to the person who holds the shares, rather than the company to which the shares relate.

New clauses 41 and 42 would create a burden in relation to public companies that would not exist for private companies. It would not be proportionate to impose such a burden on public companies that are low risk and that have additional requirements placed on them. It is already the case in the law on nominee shareholders or proxies that a share held by a person as a nominee for another is to be treated as though the share is held by the true owner and not by the nominee. Failure to declare a shareholder is a criminal offence and if the court were to find that a person should have been registered, the person and their company would be at risk of prosecution. I hope that provides the assurance that right hon. and hon. Members need.

Dame Margaret Hodge: I know that we share the objectives, but I feel very frustrated by the inability to decide whether a risk assessment and a risk-based assessment are the same. For the life of me, I cannot see the difference. We will put it to the vote and see whether those in favour of risk-based assessments are happy to go with "risk assessments".

Kevin Hollinrake: That is not what the right hon. Lady has put in her amendment. It says not "risk-based assessment" but "risk assessment".

Dame Margaret Hodge: I would say that there is no difference. In amendment 116, we have "risk assessments". For those of us who think this is the way forward, I have to say that the Minister's argument seems constructed rather than real.

The Chair: The Question is that amendment 119 be made.

Liam Byrne: On a point of order, Ms Elliott. Can you clarify the order of consideration for the amendments and new clauses in this group?

The Chair: Let me be clear. We are discussing amendment 119 to clause 88. Does the right hon. Member for Barking want to press the amendment to a vote?

Dame Margaret Hodge: No. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendment proposed: 116, in clause 88, page 68, line 17, at end insert—

'(1A) As part of the analysis under subsection (1), the registrar must carry out a risk assessment to identify where the information it holds might give rise to a matter of concern.

(1B) Where the assessment identifies a matter of concern, the registrar must—

(a) carry out whatever further analysis it considers necessary; and

(b) share any evidence of unlawful activity it identifies with the relevant law enforcement agency.

(1C) For the purposes of this section, a "matter of concern" includes—

(a) inaccurate information;

(b) information that might create a false or misleading impression; or

(c) evidence of economic crime.'—*(Dame Margaret Hodge.)*

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 9.

Division No. 9]

AYES

Byrne, rh Liam	Morden, Jessica
Hodge, rh Dame Margaret	Newlands, Gavin
Malhotra, Seema	Thewliss, Alison

NOES

Ansell, Caroline	Hunt, Jane
Crosbie, Virginia	Mann, Scott
Daly, James	Stevenson, Jane
Hollinrake, Kevin	Tugendhat, rh Tom
Hughes, Eddie	

Question accordingly negatived.

Question proposed, That the clause stand part of the Bill.

Kevin Hollinrake: Currently, the registrar cannot proactively share the information she holds on businesses and individuals that is of use to law enforcement agencies and regulatory bodies. Nor can she carry out routine analysis to spot patterns of behaviour that are indicative of criminal activity. The clause inserts a new function for the registrar so that she is obliged to undertake such analysis as she considers appropriate for crime prevention and detection purposes, such as spotting fraudulent activity. That will provide the statutory basis on which the registrar's new intelligence hub will be founded. The hub will be instrumental in identifying strategic and tactical economic crime threats posed by information on the register. That has long been called for. Under the data sharing powers that sit elsewhere in the Bill, the registrar will be able to proactively exchange the fruits of her analysis. The new clause is critical in supporting law enforcement agencies to tackle economic crime.

Seema Malhotra: As I have said before, we do not necessarily have any problem with what is in the Bill. It is about what is not in the Bill. The clause is important. We have debated how it can be improved and I am sure we will come back to debate that further. On the basis that it is an important part of the Bill, we support clause stand part.

Question put and agreed to.

Clause 88 accordingly ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned. *—(Scott Mann.)*

3.59 pm

Adjourned till Tuesday 15 November at twenty-five past Nine o'clock.

Written evidence reported to the House

ECCTB 08 OpenCorporates (supplementary submission)

ECCTB 09 Elspeth Berry, Associate Professor of Law, Nottingham Law School (supplementary submission)

ECCTB 10 Spotlight on Corruption