

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Sixth Delegated Legislation Committee

DRAFT COMPANIES (DISCLOSURE OF ADDRESS)
(AMENDMENT) REGULATIONS 2018

Thursday 29 March 2018

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The Committee consisted of the following Members:

Chair: MR VIRENDRA SHARMA

- | | |
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| Ali, Rushanara (<i>Bethnal Green and Bow</i>) (Lab) | † Hendry, Drew (<i>Inverness, Nairn, Badenoch and Strathspey</i>) (SNP) |
| † Burghart, Alex (<i>Brentwood and Ongar</i>) (Con) | Hoey, Kate (<i>Vauxhall</i>) (Lab) |
| † Chalk, Alex (<i>Cheltenham</i>) (Con) | † O'Brien, Neil (<i>Harborough</i>) (Con) |
| † Charalambous, Bambos (<i>Enfield, Southgate</i>) (Lab) | † Pursglove, Tom (<i>Corby</i>) (Con) |
| † Esterson, Bill (<i>Sefton Central</i>) (Lab) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| Evans, Chris (<i>Islwyn</i>) (Lab/Co-op) | † Swayne, Sir Desmond (<i>New Forest West</i>) (Con) |
| † Greening, Justine (<i>Putney</i>) (Con) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| † Griffiths, Andrew (<i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i>) | † Whittingdale, Mr John (<i>Maldon</i>) (Con) |
| † Harris, Rebecca (<i>Lord Commissioner of Her Majesty's Treasury</i>) | Nehal Bradley-Depani, <i>Committee Clerk</i> |
| | † attended the Committee |

Sixth Delegated Legislation Committee

Thursday 29 March 2018

[MR VIRENDRA SHARMA *in the Chair*]

Draft Companies (Disclosure of Address) (Amendment) Regulations 2018

11.30 am

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Andrew Griffiths): I beg to move,

That the Committee has considered the draft Companies (Disclosure of Address) (Amendment) Regulations 2018.

It is a pleasure to serve under your chairmanship, Mr Sharma. It is also a pleasure to serve on a Committee composed of such eminent and experienced hon. and right hon. Members. I am not sure whether that means that the Government are concerned that they need senior statesmen and women to ensure that we get the Government's business through, but it is a pleasure to welcome them today.

The regulations will make it easier for people to apply to the registrar of companies to make information about their residential address on the companies register unavailable to the public. The Companies Act 2006 changed the previous general rule that a director's residential address was publicly available on the register by protecting that information from disclosure, but that change did not apply to information filed on the register before the Act came into force. The Companies (Disclosure of Address) Regulations 2009 were made to allow people to apply to the registrar to make an address unavailable to the public in certain circumstances. The registrar can grant an application only where there is a serious risk of violence or intimidation to those living at the address because of the activities of the company. In addition, an application cannot be made in respect of information filed with the registrar before 1 January 2003.

The regulations have a number of important practical consequences. They prevent residential address information from being protected in three specific situations. The first is where someone is at risk of identity theft and fraud, rather than violence or intimidation. A report last year by CIFAS, the UK's leading fraud prevention service, found that company directors are one of the most at-risk groups for identity fraud. Nearly 19% of identity fraud victims are company directors, despite their comprising less than 9% of the UK's population. The second is where someone is at risk of violence or intimidation, but the risk does not come from the company's activities—for example, where someone who is in the public eye might attract abuse. The third is where someone is at risk of violence or intimidation because of the company's activities but the information was filed with the registrar before 1 January 2003.

The companies register was made free to search online in 2015. As a result, it is much more widely used than ever. While improving transparency, that has increased concerns about the availability of personal information.

The draft regulations address those concerns in two ways. First, they allow applications where the information was filed before 2003. That information is kept non-digitally, for example on microfiche. When the original regulations were drafted in 2009, it was thought that it would not be possible to redact such non-electronic information without risking damage to the public record. However, that is no longer the case, so there is no need to retain the restriction.

Secondly, the draft regulations remove the requirement in regulation 9 of the 2009 regulations that an applicant must show they are at serious risk of violence or intimidation because of the company's activities. That is consistent with the general approach taken by the Companies Act 2006, whereby the registrar must protect directors' residential addresses. The draft regulations do, however, retain the test for applications under regulations 10 and 11 of the 2009 regulations. Regulation 10 allows applications from companies for the protection of the residential address information of all their members. Regulation 11 allows applications from people who register a charge.

Removing the test for company applications could result in large-scale redactions of historic information, potentially involving thousands of members' addresses for larger companies. We do not consider that to be justified. However, an individual member who is concerned about the availability of their residential address on the register will be able to apply under new regulation 9 to have it suppressed without having to show any risk of harm.

We are also retaining the test for applications in respect of charges, as the registrar receives very few applications and no concerns have been raised about the test in that context. People who are legally required to maintain a current address on the register—for example, current directors of live companies—will have to provide a service address as part of their application. That will be publicly available on the register in place of their residential address. However, people who are not subject to that requirement, such as former directors of dissolved companies, will not need to provide a service address. Instead, their residential address will be partially suppressed to show the first half of the postcode. Public authorities, such as a police force, the Insolvency Service and the Pensions Regulator, will still be able to obtain information about a person's residential address from the registrar, even where that information is not available to the public on the register.

As the explanatory memorandum to the regulations notes, we have not consulted in this instance. Of course, in certain circumstances consultation is an entirely right and proper approach for the Government to take. However, a number of cases have recently been raised with my Department where the people involved are at risk of violence, yet cannot have their address information protected. Delaying action to consult would increase the risk that people may be caused actual harm. I believe that not consulting is justified in this case, and I hope that right hon. and hon. Members will agree, particularly as the regulations apply the principle that has been in place since 2009 that residential address information should not be shown publicly on the register.

It is important that the information on the companies register is of real practical use to those who wish to find out information about a company. At the same time, the information should not become a tool for abuse by

exposing people to the risk of identity theft or fraud, or even physical harm. The regulations strike an appropriate balance between transparency and the protection of individuals, and I commend them to the Committee.

11.37 am

Bill Esterson (Sefton Central) (Lab): It is a pleasure to serve under your chairmanship, Mr Sharma. I had planned to trace the history of the Companies Act 2006 and, for the benefit of our illustrious company, to go through the reasons why it was so important that residential addresses, later service addresses, were published, but the Minister has given such a thorough, detailed and lengthy explanation—

Alex Chalk (Cheltenham) (Con): Exhaustive.

Bill Esterson: Exhausting or exhaustive? I could not quite catch from the Parliamentary Private Secretary which it was. I leave that for the readers of *Hansard* to determine for themselves.

I have two questions for the Minister. It is clearly right that the authorities still have access to residential addresses, including for former directors, and that a service address is available. As the Minister rightly set out, for reasons of fraud and the risk of violence and intimidation, and the 2003 cut-off, it is right that directors—as well as, I believe, company secretaries, shareholders and persons with significant control—receive adequate protection. My understanding from research from the fraud prevention organisation, CIFAS, is that one in five victims of recorded cases of such fraud is a company director. As the Minister says, there has been an increased incidence of fraud or risk of violence and intimidation reported to his Department.

It is clearly right that if the service address option exists, it is only fair that all directors, current and former, can take up the option. Will the Minister explain how the redactions are possible? What has changed in the technology to allow that? What is the new process that means it is now possible? Will he confirm that my understanding about full access by the authorities is correct and also that the publication of a service address is important to the wider public? With those replies, we will be happy to support the regulations.

11.40 am

Mr John Whittingdale (Maldon) (Con): I of course support the regulations. Indeed, I recall that there was a serious risk particularly from animal rights protesters who threatened serious violence to company directors engaged in entirely legal activities. It is right that those directors should have protection.

I have a couple of questions. First, one might think that the number of those on the register before the restrictions came in, whose addresses therefore cannot be suppressed, would be declining as time moves on. However the explanatory memorandum says that there have been

“an increasing number of serious and concerning complaints”.

Will the Minister say what “serious and concerning” means? Is that just fraud, or are an increasing number of threats of violence being made?

The Minister referred to identity fraud being a serious risk to all those with their name on the register. Presumably that applies to every single company director. Is there any restriction on any company director saying he is worried that his identity may be stolen and who therefore wishes to have his name removed from the register? If he goes behind a service address, can we be sure that it is not one of these boxes somewhere in the backstreets of Victoria, where 200 companies can be registered behind small letterboxes and be almost impossible to trace? Can we be sure that the regulations will not allow directors who are perhaps dodgy to conceal their addresses and give their customers less opportunity to identify and find them to take action against them?

11.41 am

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): It is a pleasure to serve under your chairmanship, Mr Sharma, on a day when the Government are bringing forward sensible regulations for the reasonable protection of people. On that basis, and with the caveat of the earlier questions being answered correctly, we are happy to support this measure.

11.42 am

Andrew Griffiths: I thank right hon. and hon. Members for those helpful and completely understandable questions. Let me begin with the questions asked by the hon. Member for Sefton Central—as I said, it is completely understandable that he wishes to probe further. He is absolutely right about scope. He listed a number of positions and responsibility holders in a company, including company secretary, and asked whether they are in scope. I am happy to confirm that they are.

The hon. Gentleman also asked about access for authorities to this information, which my right hon. Friend the Member for Maldon also touched on in his helpful speech, when he asked how we can be sure that directors who are acting inappropriately or against the law can be found and held accountable. Such protections are important for all our constituents, who may be subject to the irresponsible or illegal behaviour of company directors. I confirm that information in relation to residential addresses will be fully accessible to all statutory bodies such as the police and the Insolvency Service, so that if there is any suggestion of wrongdoing, the authorities can trace directors and hold them accountable.

The hon. Member for Sefton Central talked about technology and asked how redactions are possible. Of course, there have been improvements to the technology, which is part of the reason why it is now possible to go back and redact information held on microfiche, but there has also been a move away from the view that doing so would damage the public register. Companies House no longer has those concerns and so is able to bring the older records in line with the current regulations.

My right hon. Friend the Member for Maldon also asked about the increasing number of complaints. To put it into context, they do not particularly relate to historical information held on company directors, but in general there is a greater number of complaints. Some of the complaints we have received at the Department are particularly relevant to older directors of companies. My right hon. Friend is absolutely right in his assertion that this is not just about fraud cases—there would not

[Andrew Griffiths]

be quite the urgency if it were just about fraud cases. The reason we are not consulting and are proceeding with such speed is that there have been threats to individuals. We all take our responsibilities very seriously to ensure that nobody is put in danger simply because their information is held on the register.

It is right that we have considered these regulations in some detail. They will protect people from potential harm while ensuring that corporate transparency is maintained, and I commend them to the Committee.

Question put and agreed to.

11.46 am

Committee rose.