ShareSoc
UK Individual Shareholders Society

PO Box 62, Chislehurst, BR7 5YB
Phone: 020-8467-2686
Email: info@sharesoc.org
Web: www.sharesoc.org

Transparency & Trust Consultation
Corporate Governance Team, Business Environment Directorate
Department of Business Innovation & Skills

Via email: transparencyandtrust@bsi.gsi.gov.uk

13 September 2013

Response to Consultation on Transparency & Trust Discussion Paper

Dear Sirs,

Our comments on the above Discussion Paper are given below, under the headings that were specified in the document. Our views represent those of individual investors in publicly listed companies, although our members are also likely to hold shares in private companies and have some experience of running such companies and hence our comments apply to those also. We have consulted with our members before submitting this response.

Beneficial ownership and a central registry

1. The proposed definition of beneficial ownership and its application in respect of information to be held by a central registry?

Comment: the definition of "beneficial ownership" which is suggested is somewhat odd in that it implies an interest in 25% or more of a company's shares or voting rights. That is more a definition of control than beneficial ownership. A beneficial owner in normal usage is anyone who holds rights indirectly or directly in shares or voting rights, i.e. they are the ultimate owners rather than the name or names under which the shares are registered by the company, and have the beneficial interest in the dividends or capital value of the shares.

2. The types of company and legal entity that should be in scope of the registry?

Comment: One problem with the Discussion Paper is that it states on page 12 that "*However, as companies listed on the Main Market of the London Stock Exchange are already subject to stringent ownership disclosure requirements, we do not think there is additional value in information on their beneficial ownership being held in a central registry*". Unfortunately this is not really true. Although there are legal obligations on the beneficial owners to disclose substantial holdings, there is little enforcement and no way of knowing whether such disclosures are being made. The recent example of the former Chairman of Morrisons rather suggests that disclosure can be easily overlooked. In addition if a beneficial owner disperses his holdings through a variety of trustees and nominees, although a company has the right to discover who is the beneficial owner, in practice this is often very difficult. With lots of holdings it becomes an impractical and onerous task for companies to do this, and in reality many public companies do not bother to do it unless they suspect someone is building a major stake in preparation for a bid.

Another problem is that only the company has any ability to identify the beneficial owners, and can easily do so. In essence no other shareholders with an interest in a company can quickly identify other holders or communicate with them (although some commercial services attempt to provide such a service in relation to larger holdings using the disclosures that companies make in RNS announcements about movements in declared holdings). At best this is a patchy system, only available to a limited public.

3. Whether there should be exemptions for certain types of company? If so, which?

So our response to the above question, and in particular to the suggestion that public companies listed on the main market of the LSE should be exempt, is as follows. We suggest that the beneficial ownership of ALL of the shares of ALL companies should be recorded in a central register. This would be enormously valuable to re-establish trust in who owns UK registered companies, and enable better enforcement of tax laws. It would also enable companies, and other shareholders, to communicate with all shareholders if it was made a public register which would benefit corporate democracy and governance. At present, even companies have great difficulty in communicating with their own beneficial owners because if they write to the addresses recorded on the share register, these are often nominee or trustee names and their communications are not forwarded. We certainly do NOT agree there would be no added value in additional information about the beneficial ownership of listed companies, as suggested in the Discussion Paper.

We do agree that it should cover limited liability partnerships, indeed all partnerships, as well as companies.

4. Extending Part 22 of the Companies Act 2006 to all companies as an aide to beneficial ownership identification by the company? and 5. Placing a requirement on the company to identify the beneficial ownership of blocks of shares representing more than 25% of the voting rights or shares in the company; or which would give the beneficial owner equivalent control over the company in any other way? and 6. Placing a requirement on beneficial owners to disclose their beneficial ownership of the company to the company?

Comment: As regards the suggestion in Para 2.28 that a requirement should be placed on companies to identify the beneficial owners of any block of shares representing more than 25% of the voting rights or shares, this might be of some assistance but ignores the practical problems. Because of the dispersed holdings that might be present in multiple trustee and nominee holdings, there is often no simple way to identify a large stake in a company. Only if all beneficial owners have to be disclosed would it be possible for companies to do this. This of course is pointed out in Para 2.32, so it is suggested that the owners also have an obligation to disclose. But as we have already pointed out, this is difficult to enforce and is often overlooked by the beneficial owners (or notification is delayed).

A good recent example of the practical problems that companies have in identifying the beneficial owners is that JKX Oil & Gas Plc, an AIM listed company. In that case the company used Section 793 of the Companies Act to try and identify the ultimate owners of two large stakes (27.55% and 11.45% respectively) held by companies registered in the British Virgin Islands, and they also tried to determine the links between the owners. As they were unsuccessful they chose to exclude the votes of those parties from an Annual General Meeting but this was challenged in the High Court.

In summary we are not in favour of such complex legal arrangements when the simple and most effective solution is to have a register of all beneficial owners.

In general terms, we see no reason why the beneficial ownership (even of small minority holdings) of limited companies should not be a matter of public record. All owners should disclose their holdings in our view.

The original concept of limited companies in English law was that in return for the advantages of limited liability, shareholders conceded that their ownership of a company would be a matter of public record (on a share register open to all). This was the foundation of the trust that those who invested in such companies, or did business with it, would have when otherwise they were dealing with an impersonal entity who could default on its debts with impunity. Only by knowing who, in terms of individual persons, was behind the company could they have any view on the reputation of the business and the risk of dealing with it or investing in it.

That concept has been seriously eroded in modern times, when the control of companies has become ever more diverse and dispersed. But one only has to look at the listings on the LSE of companies backed by Russian oligarchs and other foreign companies with large dominant shareholders that it is time to revert to the first principles behind company law.

7. Whether there are additional or other requirements we could apply to ensure that information on all companies' beneficial ownership is obtained? If so, what?

Comment: Whoever processes a share purchase transaction is aware of the beneficial owner (for example a stockbroker in the case of public companies), and there are already provisions within the Crest system to record such information (in the form of "designated nominees"). It would be a relatively simple matter to collect this information and the share register systems of publicly listed companies already support such recording.

8. Requiring the trustee(s) of express trusts to be disclosed as the beneficial owner of a company?

Comment: We suggest that trustees should be disclosed as they have control over the assets of trusts.

9. Whether it would be appropriate for the beneficiary or beneficiaries of the trust to be disclosed as the beneficial owner as well? Under what circumstances?

Comment: It depends on the nature of the trust. But as we are not experts on trust law, we do not wish to comment in detail.

10. Extending the investigative powers in the Companies Act 1985 to specified law enforcement and tax authorities?

Comment: We see no objection to such an extension.

11. Using the requirements that apply in respect of a company's legal owners as the model for beneficial ownership information to be provided to the company and the registry?

Comment: We are opposed to this approach to identifying beneficial ownership. It is pointless to have a system where such disclosure is only made infrequently (i.e. annually or even less frequently). In the modern world, changes of ownership in terms of shareholdings are very rapid, particularly in public companies. Indeed a majority of the shares in some companies can change hands within a year.

It would also create a lot of work for public companies to collect and report that information.

We suggest, as we have pointed out above, that the best approach to this problem is to reinvigorate the share registers of companies so that they properly contain records of not just registered holders, but also the beneficial owners.

This information would be maintained by the traders of shares via their stockbrokers and hence the registrars, with little extra effort and no expense by listed companies. The extra electronic processing and data storage requirements would be of minimal cost in the modern world. This would be a much better approach than the archaic, and manually intensive, system proposed in the Discussion Paper.

12. If not, what additional or other information we might require? How?

Comment: None – see above.

13. Whether there is a need to introduce additional or other measures to ensure the accuracy of the beneficial ownership information that is filed with Companies House and retained on the register?

Comment: Bearing in mind that the information to be held by Companies House under the proposed system would be out of date almost as soon as it is obtained by them, we see little point in worrying about the accuracy of the data reported. But certainly the accuracy would be exceedingly questionable due to the manual processes involved.

14. If so, what? To what extent would the benefits of these measures outweigh the costs and other impacts?

Comment: Difficult to comment without some knowledge of the likely financial benefits that are anticipated, but the costs would be very high with the proposed systems. Costs would be much lower if a different approach is taken to recording beneficial holdings.

15. Whether companies should be required to update beneficial ownership information at fixed intervals or as the information changes? and 16. Whether beneficial owners should be required to disclose changes in beneficial ownership information proactively to the company? and 17. The appropriate timeframes for notification of changes to the company or Companies House?

Comment: Although the proposals in these paragraphs might tackle the intrinsic problem of annual, or less frequent, returns of information on beneficial holders, it introduces potential problems with the reliability of the information. Will beneficial holders actually notify such changes to the companies they hold shares in reliably? We doubt it. Such a system will impose even more work and costs onto both shareholders and companies, which we oppose. The point in time when this information should be collected is when the registered ownership of the shares changes (i.e. when it changes within the Crest system in public companies).

18. The broad possible costs and benefits of a policy change to the annual return.

Comment: The Annual Return system seems to be an effective way to ensure that details of such matters as directors, registered office and share capital are checked and confirmed at least once per year. This is particularly valuable in private companies where updating information can be easily overlooked. We are not in favour on changing this significantly simply to save a relatively small administrative cost.

19. Whether information in the registry should be made available publicly. Why? Why not? and 20. If not, whether the information should be accessible to regulated entities? Why? Why not?

Comment: We consider it essential that any information on the beneficial ownership of companies should be publicly available. As the Discussion Paper points out, it will contribute to a transparent business environment and help to ensure the accuracy of the information. It will also enable beneficial owners to communicate with one another and hence enhance shareholder democracy and all that flows from that, i.e. strong engagement of shareholders with the management of companies and good corporate governance.

It would seem odd to us that any beneficial owners would wish to conceal their ownership in a company if they were doing nothing illegal or otherwise questionable (such as trying to conceal their assets from tax authorities). We cannot imagine how such disclosure might have an adverse economic impact on a company itself, although of course it might encourage company founders to set up in other jurisdictions in some cases. But if the UK is to become a location with a reputation for transparency, rather than the opposite as at present, then the legal environment for companies must be changed. This will stimulate more investment in the UK, rather than the reverse, because company creators and investors will know that it is a more trustworthy location.

21. Whether a framework of exemptions should be put in place? If yes, which categories of beneficial owners might be included? How might this framework operate?

Comment: There are some grounds for believing that it would be necessary to provide some exemptions to certain individuals on specific grounds. For example, where there is a clear risk of possible harassment. However we suggest these would need to be very limited in scope as criminal law already covers this area quite effectively and we suggest there would need to be clear evidence of risk for the exemption to be invoked, i.e. applicants for exemption would need to provide such evidence and detailed justification.

22. The broad possible costs and benefits of a policy change to the registers of members?

Comment: We are not keen on the suggestion that access to information on shareholders might only be made available at Companies House (e.g. for private companies). That information might well be out of date and would therefore create legal difficulties where it was necessary to clearly identify the registered owners of a business and their holdings.

It is worth pointing out that since share ownership filings at Companies House for public companies were changed to be less frequent, this has become a rather useless provision for those who might want to obtain such information.

23. Whether beneficial ownership information held by the company should be made publicly available? How? and 24. Should any framework of exemptions in relation to information held by the registry also apply to information held by the company?

Comment: These seem to duplicate questions above, so our comments are given above.

25. The costs and benefits of this policy change for companies, beneficial owners, regulated entities and other organisations; and 26. In particular: The link between the proposals and crime reduction; The link between the proposals and the incentives to invest; The numbers of companies affected; The amount of time it would take to obtain, collate and report data on beneficial ownership – for both simple and more complex ownership structures; Costs to the regulated entities; The changes which regulated entities might make to their actions; The number of beneficial owners; The degree of publicity and guidance required; Likely compliance; Potential unintended consequences; The varying impacts of the alternate options.

Comment: It is difficult for us to give figures on the likely costs and benefits – we think this is best done by other parties who might respond to this consultation. We have given our general views on the costs and benefits above.

27. Bearer shares

Comment: We see no justification for the retention of bearer shares in the modern world. As we have pointed out above, we believe all beneficial owners should disclose their holdings unless there are very specific and limited exemptions (with just cause). Bearer shares should be eliminated.

28. Prohibiting the issue of new bearer shares; and 29. Whether individuals should be given a set period of time to convert existing bearer shares to ordinary registered shares? How long? and 30. Whether there are additional or other measures that we might take?

Comment: We agree that the issuance of new bearer shares should not be permitted and we suggest that existing holders be given one year to convert them to ordinary shares.

31. The costs and benefits of this policy change.

Comment: We suggest the costs would be minimal and this would remove an obscure and archaic provision in Company Law that can frustrate the identification of ownership and encourage illegal activity.

Nominee directors

31. Whether we should more widely communicate the application of directors' statutory duties to all company directors and whether we should – alternatively or in addition – require nominee directors to disclose their nominee status and the name of the beneficial owner on whose behalf they have been appointed? Why? Why not? If yes, should that disclosure be made available on the public record? and 32. Whether we should make it an offence for a director to legally divest themselves of the power to run the company. Why? Why not? and 33. Whether there are additional or other measures that we might take? and 34. The costs and benefits of this policy change.

Comment: As the Discussion Paper says, there are legitimate reasons for using nominee directors. For example, where a company (or multiple owners, e.g. a "concert party") have a substantial holding in another company and wishes to appoint someone who represents their interests to the board.
It is a widely used facility in the commercial world, but the director still has the obligation to act only in the interest of the company, and not of his appointers – most nominee directors are clearly aware of their legal obligations in that regard.

It would seem that these arrangements are being abused in some cases, but it would be wrong to prevent their use. However we would support the proposal that it should be an offence for a director to legally divest themselves of the power to run the company, i.e. any contract that attempted to overturn the normal duties of a director under Company Law should be considered void, and anyone who enters into any agreement that attempted to inhibit the actions of the director should be guilty of a criminal offence.

As regards disclosure of the presence of a nominee situation, we have no objection to such disclosure and believe it would be helpful to have such arrangements in the public domain. It would be a simple matter to record this additional information when a director's appointment was first registered at Companies House, or subsequently.

Corporate directors

35. Whether we should prohibit UK companies from appointing corporate directors. Why? Why not? and 36. If yes, what transitional arrangements might be appropriate? and 37. Whether there are additional or other measures that we might take? and 38. The costs and benefits of this policy change.

Comment: Clearly "Corporate Directors" are also open to abuse and help to conceal the ownership and control of companies. We see few legitimate reasons for their use, and their replacement by personal directors should not prove of significant inconvenience. Therefore we would support a proposal to remove that facility from Company Law , with a period of one year to enable such directors to be replaced.

Part B

Clarifying the responsibilities of directors

39. The merits of strengthening responsibilities of banking directors by amending the directors' duties in the CA06 to create a primary duty to promote financial stability over the interests of shareholders. This should be considered in the context of the banking regulation reforms the Government has already committed to and the further economy-wide measures set out in the rest of this paper.

Comment: We do not believe that this proposed change is necessary and it may positively damage shareholders interests. Our reasons are as follows:

A - There are other sectors of the economy that are just as vital to the national interest. For example, if energy supply companies failed or ceased operations, many consumers might be seriously impacted. Why should banks be singled out in this way? In reality the urge would be to extend this provision to other sectors in due course, and undermine the carefully judged primacy of the company's interest and stakeholders therein as laid down in current Company Law.

There was widespread consultation on this aspect of the 2006 Companies Act before it was made law, and we suggest that it should not be overturned without the same level of consultation.

B – It is difficult to conceive of circumstances where it would not be in the interests of shareholders in banks to maintain financial stability in the interest of the company. Indeed we would argue that the law should be clarified to ensure that the promotion of the success of the company alone is the sole criteria. Many investors in LloydsTSB were exceedingly unhappy with the takeover of HBOS which they believe was prompted by the Government's desire to support the latter bank in the interest of wider stability. In essence many shareholders believed that this was contrary to Company Law and the directors acted illegally, thus damaging their financial interests, but no legal challenge has of course been mounted as yet because other justifications were given for the acquisition. In other words, the existing wording of the Act provides the necessary scope for directors to act as they see fit in circumstances where wider interests need to be taken into account. It would be preferable to tighten up that freedom of action rather than widen it further in our view.

Allowing sectoral regulators to disqualify

40. Whether, in certain circumstances, directors barred or prohibited from senior positions in key sectors should be considered for disqualification from acting as directors of any CA06 company? and 41. Which sectoral regulators should have the ability to make an application to the Court for a disqualification order, or to accept a disqualification undertaking from a director? and 42. The potential costs and benefits of this proposal.

Comment: We generally support the stance that disqualification for a breach of a sectoral regulation should lead to wider disqualification from acting as a director in any sector. All sectoral regulators should have the ability to apply for a wider disqualification. We see great benefit in generally toughening up regulations on directors behaviour and see little downside in terms of extra costs.

Factors to be taken into account

43. Whether Schedule 1 to the CDDA should be amended to provide that any breach of sectoral regulations is a matter of unfitness that may be taken into account by the court in disqualification proceedings?

Comment: We support this proposal.

44. Whether Schedule 1 to the CDDA should be amended to provide that 'wider social impact' is a matter to be taken into account by the courts in disqualification proceedings?

Comment: We support this proposal.

45. How wider social impact should be defined and whether a materiality test should be applied? and

Comment: Wider social impact should be defined as the nature of the creditors (individuals, small or large businesses), and how material the impact has been (i.e. a materiality test should be included).

46. Whether, where unfitness meriting disqualification has been found against a director of a company that dealt with high volume deposits or otherwise vulnerable creditors, two tariffs of disqualification should be handed down (or agreed by way of undertaking): A tariff with respect to acting in the management of all companies; and An increased tariff with respect to acting in the management of any company dealing with high volume deposits or otherwise vulnerable creditors (or a company engaged in a business similar to that in relation to which he had been disqualified); and 47. Whether Schedule 1 to the CDDA should be amended to provide that failure to pay particular regard to the protection of deposits, pre-payments or otherwise vulnerable creditors once a company has become insolvent is a matter to be taken into account by the court when deciding whether a director is unfit and should be disqualified (or by the Secretary of State in deciding whether to accept a disqualification undertaking)?

Comment: We support these proposals.

48. What account the court (and the Secretary of State when deciding whether to take action) should take of the track record of the director (including the number of failures a director has been involved in) when deciding whether or not to disqualify an individual and for how long? and 49. Whether there should be a certain number of failures beyond which the presumption is that a director is unfit and should be disqualified. If so, what should that number be?

Comment: We support both these proposals in principle. On the latter question, we suggest the answer should be more than two in any five year period, or three in ten years, unless there are exceptional reasons not to do so (and the companies concerned were not linked in some way at the time). We do have concerns though that this might prejudice those individuals who get involved in the creation/financing of early stage companies, or those who are active in rescuing companies that are in difficulties. The key is to distinguish those individuals who are reckless in nature or are trading fraudulently (e.g. creating companies that are not viable, running up large debts from which they personally benefit and generally behaving in a cavalier manner) from those who are being more responsible but have been impacted by events beyond their control. Phoenix company situations are one symptom of irresponsible behaviour. Perhaps the answer is to have a specific review of directors and their activities after a trigger of say two failures in five years by the Insolvency Service with the right by the individual to appeal to a Court if they think that any proposed disqualification is unreasonable. In summary, we would be opposed to any automatic disqualification based on numbers of failures.

Improving financial redress

50. How frequently the possibility of bringing wrongful and fraudulent trading claims arise, are pursued and what value the existing civil remedies for wrongful and fraudulent trading provide?

Comment: We are not aware of how frequently claims against directors are pursued but we suspect they are very low. The existing civil remedies are in reality very difficult to pursue due to the costs of litigation in the UK, and are unlikely to be effective in deterring misbehaviour.

51. Whether, if liquidators were able to sell or assign wrongful and fraudulent trading actions, more actions would be taken? If so, how many more?

Comment: We agree that liquidators should be able to sell or assign such actions and that this might improve the number of such actions. It is difficult for us to estimate the additional number however – others might be able to do so.

52. To what extent creditors would benefit from this proposal?

Comment: Some creditors should benefit from the increase recovery, although clearly a lot of the recovery would be consumed in costs so the impact might be relatively low. The main advantage would be to improve the deterrence of wrongdoing by directors.

53. What practical difficulties might prevent third parties pursuing claims and how these might be overcome?

Comment: The cost and complexity of the litigation might be the main practical difficulties.

54. Whether safeguards would need to be introduced to prevent certain parties acquiring such a claim? If so, who should they apply to and what form they should take?

Comment: We agree that the best way to handle this issue would be to have the right of action revert to the liquidator within 12 months if action has not been pursued.

55. Whether this proposal would improve confidence in the insolvency regime?

Comment: We agree this proposal would improve confidence in the regime.

56. The benefits of giving courts the power to make compensatory awards against directors? and 57. The potential costs and drawbacks of this proposal?

Comment: We believe this would be a more important and useful change than solely improving the possibility of legal action by liquidators (or others on their behalf). We are therefore strongly in favour of this proposal. It is more likely to result in some compensation for creditors and will be a powerful motivation for directors who currently are no doubt aware that they incur little financial risk from illegal trading. We see few drawbacks from this proposal and although court costs would need to be taken out of any award, this is better than not having any award at all.

58. Who should receive any monies recovered by action: should it be creditors generally or left to the court to determine?

Comment: It should generally be left to the court to determine, but note that we would like to see shareholders (other than the penalised directors of course) in a liquidated company included. Shareholders are not technically creditors under insolvency law, but will have been financially damaged as much as trade creditors or other direct creditors of the company.

59. Whether the IS (acting on behalf of the Secretary of State) should be able to request and agree a compensation award from a director when it accepts an undertaking from the director not to act in the management of a company for a certain number of years?

Comment: We have no views on this proposal.

60. Whether this proposal would improve confidence in the insolvency regime?

Comment: We agree this increase confidence in the insolvency regime.

Time limit

61. Whether the period within which disqualification proceedings under section 6 of the CDDA must be instituted should be extended beyond two years? and 62. If yes, should that period be five years, some other period, or no limit at all? And 63. How many directors are likely to be affected?

Comment: We agree it should be extended. A five year time limit would seem appropriate (action beyond that point seems unlikely anyway). We have no information on how many directors might be affected by such a change.

Educating directors

64. Whether, if some form of director education were to be introduced, it would increase trust in the enforcement regime?

Comment: We have an on-going concern with the standard of knowledge and experience of public company directors, let alone those of private companies. Smaller quoted companies (such as those listed on AIM) often exhibit basic lack of knowledge in the directors about the legal obligations imposed on companies and their directors. That extends to any knowledge of basic accounting practice in private companies.

We would like to see some basic education standards introduced for all directors of larger companies, and in particular in quoted companies. Although we don't wish to inhibit anyone from setting up a new company, we do think that some qualifications should be required when it reaches a certain size, for all directors.

The proposal to offer disqualified directors the opportunity to receive further education or training we would therefore support as generally improving standards in this area.

65. What form the training should take and who should provide it? and 66. What would be the likely cost of such training?

Comment: There are suitable courses already available in the market offered by the Institute of Directors (IOD), and others. In general we suggest such courses might need to be a few weeks (full time equivalent) in duration for the directors of large companies so might be relatively low cost, but that would be a large time commitment for the directors of a small start-up company and also expensive. Ideally a range of courses need to be made available. Training needs to be appropriate to the size of the company and the sector in which the company operates. If there was an obligation to obtain such training before becoming a director of any company, no doubt a market for the provision of such courses would develop.

67. Whether successfully completing any such training should enable a reduced period of disqualification; or should be a pre-condition for any disqualified director wishing to seek leave of the court to run a company whilst disqualified?

Comment: We support both these proposals so as to encourage take up of such education.

68. Whether there would be value in offering such training to all directors of failed companies – irrespective of whether they were disqualified - having regard to the fact that the director would need to cover the cost?

Comment: We also support this proposal as it would fit in with our general desire to encourage more education amongst directors.

Overseas restrictions

69. Whether regulations should be made using the powers in Part 40 of the CA06 to prevent persons who are subject to foreign restrictions (which fetter their freedoms to act in connection with the affairs of a company) being able to be directors or act in the management of companies in the UK?

Comment: We agree this should be introduced as the business world is becoming ever more international in nature.

70. If yes, should the foreign restrictions be made to apply automatically in the UK, or should they require the Secretary of State to make an application to a court?

Comment: We believe they should apply automatically, with a right to appeal to a court for an exemption by the individuals concerned.

71. If not, should a person subject to foreign restrictions be obliged to notify the Registrar of Companies if they act in the promotion, formation or management of a company in the UK?

Comment: We are not clear why this should be considered necessary, in addition to exclusion from being a director, when there is no general obligation to provide this information.

72. Whether the Secretary of State should have the power to bring disqualification proceedings against a person on the sole basis that that person has been convicted of a criminal offence overseas in connection with management of a company or business overseas?

Comment: We would support this proposal, although we doubt it would be used very frequently.

Summary

In summary, we support most of these proposals to improve trust in UK companies which has certainly been eroded in recent years, even in public companies. In private companies, obscure loopholes are being used to conceal assets, evade tax, and hide the people who have control of companies.

However, we advocate much broader disclosure of beneficial owners than the simple 25% control rule which is easily avoided by dispersed holdings, and a more revolutionary approach to identifying and recording that information. The registrars (or Company Secretary or the director dealing with share registration matters in private companies) should be maintaining and reporting on the beneficial owners behind each registered holder.

More use needs to be made of modern information technology to record and track beneficial owners – and automatically where possible, rather than the archaic manual systems proposed.

Yours sincerely

Roger W. Lawson
Chairman