

## Hot topic

July 2022

### Proposed changes for corporate trustees



The Government is proposing to reform the UK's corporate registration framework. In this hot topic, we look at what these proposals could mean in practice for corporate pension scheme trustees.

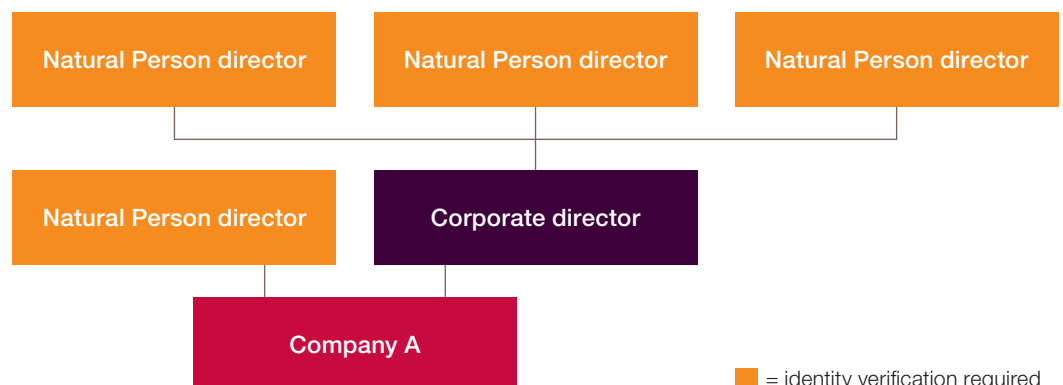
Legislation to implement the Government's proposals is expected in the next 12 months but it is not yet clear when the changes will come into force. This note is based on the white paper, "[Corporate Transparency and Register Reform](#)", so it is possible that the legislation and final policy may differ.

#### Exemption to the proposed ban on corporate directors

Under current legislation, a company<sup>1</sup> can be appointed as a director of another company, as long as there is at least one "natural person" (ie an individual) on the board. If the proposals go ahead, there will still need to be a natural person on the board but a company will not be able to be a director unless it:

- is registered in the UK
- all of its directors are "natural persons", and
- the directors have all had their identify properly verified (see below).

Under the proposals:



The Government has said there will be a transition period to give companies time to make any necessary adjustments.

<sup>1</sup> In this paper we refer to "companies", different requirements may apply to different corporate entities, eg limited liability partnerships.

## Proposed changes for corporate trustees cont.

### Introduction of identity verification for corporate trustees

Under the proposals, which will apply to corporate trustees, the following individuals will need to have their identity verified:

Existing  
company  
directors

New company  
directors

Persons with  
Significant  
Control (PSC)<sup>2</sup>

Anyone else  
submitting filings  
to Companies  
House

### How will an individual's identity be verified?

Directors will have to set up a "verified account" with Companies House. The proposed identity verification process involves the individual sending a photo of both their face and their photographic ID (eg passport or driving licence) to Companies House, for the photos to be compared and the ID validated.

Alternative methods will be available for individuals who don't have photo ID.

### Penalties for non-compliance

If a director has not registered with Companies House, and verified their identity, within a set period (as yet unspecified), they will be committing an offence and may also be liable for a civil penalty. Similarly, a company that is directed by an unverified director will also commit an offence.

The details of the offence and potential financial penalties have not been shared yet.

### Actions for corporate trustees



- ✓ Liaise with any corporate directors on your board, such as professional trustee companies, to understand what steps they are taking to prepare for these changes.
- ✓ Consider which individuals linked to your scheme may fall within the new identity verification requirements, eg the scheme secretary if they are responsible for submitting filings to Companies House.
- ✓ As and when further detail of the verification process is published, trustees should ensure that all affected individuals are aware of the changes and that appointment procedures and communications are updated to make the process clear to future directors.

<sup>2</sup> Very broadly speaking, a PSC is an individual who owns or controls the company.



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