

Hot topic

November 2023

Economic Crime and Corporate Transparency Act 2023



The [Economic Crime and Corporate Transparency Act](#) (“ECCTA”) received Royal Assent on 26 October 2023. Among other changes, the Act will introduce [reforms to the corporate registration framework in the UK](#).

Introduction of identity verification for corporate trustees

Who will need to verify their identity?

Existing company directors

New company directors

Persons with Significant Control (PSC)¹

Subject to certain exceptions, those 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 identity verification process will involve 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.

Alternatively, corporate service providers which have been authorised by Companies House (“Authorised Corporate Service Providers”) will be able to conduct these identity checks.

When will they need to verify?

There will be a transition period for existing directors and PSCs to verify their identity but the details have not yet been published.

New directors must verify their identity as soon as possible and must do so before their appointment is notified to Companies House. Individual PSCs will have a 14-day period after registering with Companies House to verify their identity. For Relevant Legal Entities (broadly, companies) this period will be 28 days.

Subject to certain exceptions, anyone wishing to submit filings (eg the scheme secretary) will need to verify their identity before doing so.

¹ Very broadly speaking, a PSC is an individual who owns or controls the company

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Will reverification be required?

In general, identity verification will be a one-off requirement, giving that individual a verified status. However, there may be instances where reverification is required, such as if the Registrar suspects fraud. These trigger events will be set out in secondary legislation.

Penalties for non-compliance

Directors and PSCs who do not comply with the identify verification requirements will commit a criminal offence and/or incur a civil penalty. Directors may also be prohibited from acting as a director. Similarly, a company may face criminal sanctions or civil penalties if it fails to comply with the new requirements by the end of a transition period.

Timing

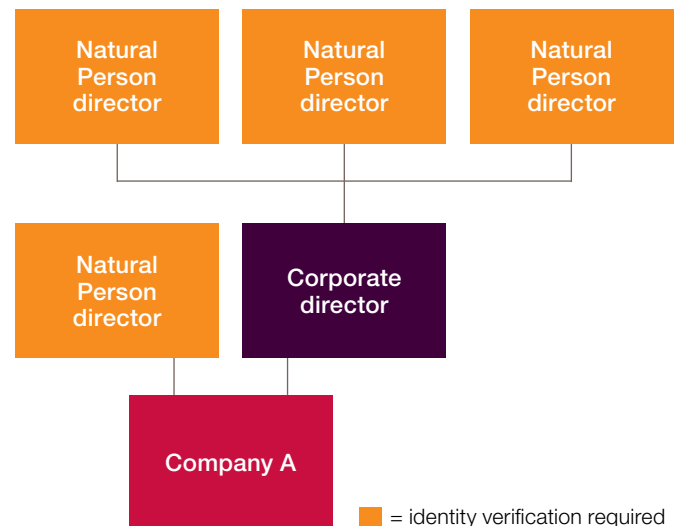
The timeframe for these new identity verification measures coming into force is not clear, but they will require new secondary legislation and guidance, as well as system development.

Exemption to the proposed ban on corporate directors

The government already has powers to restrict the use of corporate directors and intends to bring these into force in parallel with the ECCTA, along with regulations setting out an exemption which will allow a company to be appointed as a director if:

- it is registered in the UK
- all of its directors are “natural persons”
- the directors have all had their identify properly verified (see above).

Companies with corporate directors will be given 12 months to comply. Within such time they must either ensure their corporate director(s) is / are compliant with the conditions or resign them. New companies or companies appointing a corporate director must ensure they satisfy the conditions from the date this measure comes into force.



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.
- ✓ Ensure that all affected individuals are aware of the changes and that appointment procedures and communications are updated to make the process clear.

