



The Association of
Company Registration Agents

ACRA's concerns over unfair competition and the absence of any application of the Money Laundering Regulations at Companies House

Since the introduction of the Companies House web incorporation service in April 2011, the private company registration sector has seen its market substantially eroded, resulting in lost revenue and notably more difficult trading conditions as Companies House have rapidly increased their share of the market to almost 40%.

The Government is intruding in and competing directly in a well-established, efficient and competitive private business sector. This seems to be contrary to the Government's own objective of assisting economic growth and supporting small business enterprise, and contradicts stated principles of creating a level playing field upon which small businesses can grow and prosper.

The company registration sector is subject to the requirements of the Money Laundering Regulations 2007 and ACRA would have no objection to further regulation. A formal 'Registered Agent' status, such as that imposed by offshore jurisdictions and long since supported within the sector in the UK, would enable necessary regulatory checks to be performed, prevent misuse of the system by unregulated bodies both in the UK and overseas, and allow Companies House to concentrate on its main objectives of processing the information sent to it and supplying that information to searchers of the public database.

ACRA objects strongly that the Government, whilst keen to impose the Money Laundering Regulations for clearly very important purposes, chooses not to apply the regulations to its own operation via Companies House. The Registrar of Companies has repeatedly maintained a steadfast response that Companies House does not 'carry on business' but instead operates under statute, and by this argument alone, the Government chooses not to apply MLR in its own operations. In 2015 around 205,000 companies were incorporated directly via the Companies House web service, and not one of those companies has been incorporated with any risk assessment having been carried out nor with any application of due diligence regardless of the fact that the officers and shareholders of applicants can be resident anywhere in the world, including in FATF listed high risk jurisdictions.

Companies House receives applications from individuals and businesses from any location in the world, and whilst the private sector is required to make an active risk based assessment of all applications under MLR, this does not apply to Companies House. The Government's share of the company formation market has risen steadily since 2011 and continues to increase.

The present process is inequitable at best and presents a significant risk to the UK corporate structure being seen as safe and respectable in the long term. Prior to April 2011, the application of MLR in the company registration sector gave an effective added 'front line' protection against the use of UK companies for fraudulent purposes, but the benefit of this process is now destroyed by the lack of a similar process for Companies House. Registration agents report many instances where potential clients choose to use the Companies House service after being asked for identification under MLR, simply because Companies House does not require the same.

It seems absurd that the Government has chosen to ignore its own rules, continually stating that MLR does not apply to its operation simply because Companies House provides a statutory function and does not 'carry on business', and therefore the regulations do not technically apply. This is surely in complete contradiction of the intention behind the Regulations.

The industry believes that Government should consider one of the following courses of action:

- a) apply the Money Laundering Regulations 2007 at Companies House in the same way that all private sector company registration agents must do to prevent the risk of UK companies being utilised for money laundering or terrorist financing; or
- b) the Companies House web incorporation service should be closed to any individual or business that is not formally recognised as an organisation regulated under the Money Laundering Regulations thereby minimising risk and ensuring that all company incorporations are subject to appropriate due diligence processes as required under the Regulations

ACRA believes the better, safer and most immediate option to be the second of those above which would present Government and Companies House with a simple and easy solution without closing the web incorporation service. The process of incorporation could easily be altered to require the inclusion of an MLR registration number to each application for company incorporations.

The Association of Company Registration Agents Ltd
February 2016