# A blow to corporate transparency


*__Leonie Nimmo__ discovers that last year's changes to the company reporting regime are not all that they seem.*

It was amidst much fanfare about "fighting the scourge of tax evasion"[1] that the UK hosted the G8 Summit of the world's most powerful nations in Northern Ireland in 2013. As part of the master-plan, Chancellor George Osborne unveiled plans for a UK register of companies and their owners.

The UK was perhaps feeling the heat from the international community for being at the centre of the spider's web of tax havens that make up our crown dependencies and overseas territories.[2] So, last year's reforms mean we now have access to information about the beneficial owners of companies – the people or companies that sit at the top of often opaque chains of ownership. It is the first of its kind in the world and the move has been welcomed by corporate campaigners and Open Data activists alike.

Ironically, however, the reforms have also made it much harder to find detailed company shareholder information.

## One step forward, two steps back

The old company filing regime for non-listed companies[3] provided the public with regularly updated, detailed lists of immediate shareholders. This system has been replaced with one which only requires companies to publicly state shareholders that ultimately own more than 25% of the company (the beneficial owners). They must also just state changes to shareholdings rather than provide a full list of shareholders.

Detailed lists of shareholders are no longer filed for the public record, apart from for new companies when they first register with Companies House.

This means that in order to establish all of a company's shareholders it is now necessary to look back at the last time it filed a full list, and every filing made since, and work it out based on the reported changes.

This may not be too much of a hurdle in the immediate future but as time passes it will become increasingly problematic. In ten years' time, ten years' worth of reported changes will need to be assessed. Not only will multiple documents need to be checked but, in some cases, multiple complex calculations will need to be conducted. Companies often issue millions of shares and at any one time there can be pages and pages of different shareholders.

## What's the problem?

For Ethical Consumer, which updates ownership information on multiple companies on a daily basis, the reforms have introduced a major headache. But the wider implications are more troubling.

The snapshot of yearly company ownership information we now have is restricted to holdings of 25% or more (beneficial ownership), a level that has been described as "ludicrously high" as a marker of undue influence by shareholders.[4] And it hardly needs to be pointed out that this will mask all those with ownership stakes below this.

## A legal or administrative hurdle?

Although the changes to the company filing regime were brought in with the Small Business, Enterprise and Employment Act, there does not appear to be any legal reason that Companies House cannot make full current shareholder details public in a more accessible way.

After some probing, a Companies House contact told Ethical Consumer: "I appreciate that ascertaining the current position regarding a company's shareholders will require more effort from researchers who may have to look at previously filed documents, but the information concerning a company's current shareholders is still publicly available and free of charge to anyone with an interest in that information."[5]

This more detailed information is available to those with the knowledge, time and expertise to process complex documents. The potential for human error is significant.

## In the public interest

Although the release of company beneficial ownership information should be welcomed, it should not have come at the cost of access to detailed direct shareholder information. According to Murray Worthy of Global Witness:

"Shareholder data is absolutely vital to knowing who's behind a company. It's a key part of company research whether you need to know who you're doing business with or you're tracking down chains of dirty money being laundered through UK companies.

"We thought Companies House's decision to publish companies' beneficial ownership data as open data was a real commitment to transparency, so it's baffling that they're now making shareholder data harder to access."[6]

Why restrict information in this way? Any move by the government to reduce transparency of corporate activity should ring alarm bells. The harder it is to access information, the fewer people will do so, and restricting information has a chilling impact on democracy.

**References: 1** www.gov.uk/government/uploads/system/uploads/attachment_data/file/207543/180613_LOUGH_ERNE_DECLARATION.pdf **2** An analogy shamelessly stolen from Nicholas Shaxson in his book "Treasure Islands: Tax Havens and the Men who Stole the World" (2011) **3** Companies listed on the London Stock Exchange and some other stock markets are subject to different rules and must disclose shareholdings above 3% in their Annual Reports **4** www.wolterskluwerfs.com/OnwardRightRatings.aspx?Pageid=6442456364&id=10737427629 **5** By email, 14/6/17 **6** By email, 26/6/17