

Putting the true owners of companies on record - a key ...

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The [UK Corporate and Individual Tax and Financial Transparency Bill](#) - promoted [by Michael Meacher MP and which I drafted on his behalf](#) - has a one of its key goals putting the real ownership of UK companies on public record. This is covered by sections 4 and 5 of the Bill, which I explain here. In a later blog I'll look at how this data will be used to promote good business practice in the UK and to ensure tax is collected, but for the moment let me concentrate on the mechanisms needed to achieve the goal of finding out who owns what in terms of companies in the UK:

Section 4 — disclosure of the beneficial ownership of companies

The disclosure of who really enjoys the benefit of limited liability is vital if it is not to be abused. This section aims to achieve this goal.

First it requires that a company properly identify anyone who owns more than 10% of its shares by amending the UK's money laundering regulations. And what it means is that when seeking to find out who owns that share the company must look through all other companies and trusts and identify the real, worm blooded person, who really does so.

Then by amending the rules for submitting annual return forms for companies in the UK to Companies House (which differ for large and other companies, meaning two changes are needed to achieve this goal) it requires any company to disclose if its legal owners differ from its beneficial owners — that is the people who really enjoy the income and gains resulting from owning shares in it.

The aim is to make sure that the secrecy that is currently available to UK companies, who can hide their true ownership behind the names of nominee shareholders, is ended.

Section 5 — the duty of UK financial institutions to report

The risk within section 4 of the Act is that companies will not do what is demanded of them. [There is ample evidence](#) to suggest that hundreds of thousands of

companies a year do not provide the annual returns to Companies House that company law demands that they submit and as such the information on beneficial ownership that section 4 demands might not be available unless steps are taken to enforce the law. Section 5 provides an alternative mechanism to ensure that the beneficial ownership of UK companies really is disclosed on public record.

What section 5 demand is that UK financial institutions — the vast majority of which will be banks — must tell both Companies House and HM Revenue & Customs about the bank accounts that they open for UK based companies (including foreign companies registered in the UK and LLPs). They must also disclose the real trading address of the companies in question — which can at present be hidden behind a nominee registered office address — and the names addresses of those people that they have identified as required by existing money laundering regulations as the directors and beneficial owners of the company.

Banks must also give details of the actual bank account numbers they maintain — although to prevent fraud this information will not be published.

In addition, if this information changes then the banks and other financial institutions will have to tell both Companies House and H M Revenue & Customs that this has happened — providing a near real time updating service on this information.

The result will be that for every company that has a bank account (and if they have no bank account they are not likely to be significant for tax and other purposes) there will be independent information provided to our regulatory authorities on who controls a company.

The importance of this cannot be overstated: for the first time an independent check on the data at Companies House will be available provided by organisations that will not take the risk of getting this information wrong. We will, therefore, for the first time know just who really is running UK companies — and will be able to see if company and third party data agrees, which may be important.

Importantly, since banks are required to hold this data already under money laundering regulations and people are familiar with the need to prove their identity to banks now there is no significant additional cost to securing this data, which provides a massive benefit to society as a result at almost no cost to it.

This is a change in the law that needs to happen, now.