

# The government has created a new honesty box for corpor..

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The government has announced today that:

*Measures to improve the transparency of who really owns and controls UK companies have been announced by Business Secretary Vince Cable today. Ministers have confirmed that the Government is to proceed with an open, publicly available beneficial ownership register — a G8 commitment announced by the Prime Minister in 2013. This shows that the UK is leading the world in taking forward measures to enhance corporate transparency.*

Adding a little more detail they have said:

*A central open registry of information on companies' ultimate controllers and owners maintained by Companies House. The registry would hold information on individuals with an interest in more than 25 per cent of shares or voting rights in a company, or who otherwise control the way a company is run. Companies will need to supply these details to Companies House when starting up and update them at least once every 12 months. This will include details such as the name, date of birth and nationality.*

According to the the Department for Business, Innovations and Skills:

*This will help tackle tax evasion, money laundering and the financing of terrorism, and improve the investment climate in the UK.*

*It is hoped greater transparency will mean honest entrepreneurs and investors can do business more securely in the UK and not be disadvantaged by those who don't play by the rules. This follows the Business Secretary's announcement earlier this week which seeks to beef up the director disqualification rules.*

Well, I'm sorry to dispel the bank holiday mod of optimism that Vince Cable does, I am sure, want us to feel about his latest best efforts, but frankly this is all an exercise in window dressing.

Of course I want a register of beneficial ownership of companies in the UK, just as I also

want a register of trusts that shows who benefit from those so that they cannot be used to disguise the ownership of companies. In principle, therefore, I should welcome this move, but I can't for one very simple reason, and that is that there is no hope whatsoever of these requirements being fulfilled.

That's a claim that needs explaining, and the explanation is simple. [Research I undertook in 2011](#), which I am currently in the course of updating, reveals that approximately one in five of all annual return forms that should be submitted by companies in the UK, which form is the document on which this new information on beneficial ownership will be provided, are never supplied to Companies House by the companies that have legal obligation to submit them. Almost invariably no penalties are imposed for failing to supply this form: instead, rather obligingly, Companies House commences arrangements for the company that has failed to comply with the law to be struck off the Register of Companies, thereby removing the directors of that company from all further obligation to make any disclosure regarding its affairs.

So, what the government is, effectively, creating with this new law is an honesty box arrangement where it is saying to all criminals using companies for the purposes of commercial fraud, illicit activity such as money-laundering, or tax fraud involving evasion that the government would be very grateful if those criminals would be so kind as to leave their names and addresses on public record so that officials might call on them later but if they are not so disposed, then Companies House will be equally happy to erase all trace of their misdemeanour from the record instead, without making further enquiry, or imposing any penalty.

You might think that in saying this I being just a little facetious, but this, in reality is exactly what this new arrangement represents. To describe this new law as a fig leaf to hollowly fulfil a promise David Cameron made at the June 2013 G8 summit is being kind, in the extreme.

What really annoys me is that I did, in face-to-face meetings with the government during the course of the consultation process for this new legislation, make clear that there was a very simple alternative arrangement available to them that would ensure that this new law could be comprehensively enforced. In Michael Meacher's 2103 Private Members Bill in the House of Commons entitled the [United Kingdom Corporate and Individual Tax and Financial Transparency Bill](#), which I drafted on his behalf, and which Bill was vigorously opposed by the government and Conservative backbenchers (in the latter case largely because some, like Jacob Rees Mogg, feared it might result in more tax being paid) I suggested a very simple requirements to ensure that the information to disclose beneficial ownership was verified by third parties, meaning that a reliable register of such ownership could be created in the UK.

My proposal was based on the simple fact that, as a matter of fact, every bank that now opens an account for a UK company is required by law to identify the beneficial owners of that company before they can proceed. Therefore, given that the vast majority of UK

companies bank with UK banks, there is already available all the information that is needed to create this register of beneficial ownership and all we need to do is require that banks submit this information, which they already hold, to Companies House once a year to confirm that they are, first of all, running a bank account for the company in question (which then also proves that the company is trading, meaning that they are necessarily going to be required to submit a corporation tax return as well) and secondly that their ownership has been proven.

Of course there would be a small cost to this, but I stress, the cost would be small. After all, the banks necessarily hold this information in a database already, and to supply that information in bulk on to Companies House would, I suspect, require minimal spending. We could even compensate them for that cost: at present the annual return fee for a company is just £13. If that was increased to something only very slightly more realistic (call it £30) it is likely that more than £42 million could be raised to cover the cost of securing this essential information that would then verify that the Register of Companies that we have available to us to be used to monitor the affairs of trade in this country would actually contain useful, relevant and reliable information. But note that no such proposal is made in the announcement: this is apparently going to be a totally unresourced change, such is the government's commitment to it.

Candidly, it's very hard to think that this government is not on the side of the criminal, the fraudster and the tax evader on occasion, because that's what their behaviour suggests.