

The scandal of UK company regulation

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The UK has one of the largest, if not the largest, register of companies in the world. [In September 2016](#) there were 3,795,682 UK companies in existence. 154,685 of these were created in the three months of July, August and September 2016. In the year to that last date 638,518 companies were formed. Just to put this in context, [there were 697,852 births](#) in the UK in 2015. We're producing companies almost as fast as we're producing babies right now in this country. And, shockingly, there is almost no effective regulation of these companies in the UK. We have no agency that takes responsibility for this task.

Yesterday [the Guardian reported](#):

Hundreds of people in a former steel town in north-east England have been revealed to be directors of a range of pornography, dating, diet and travel websites.

An investigation by the Reuters news agency found that at least 429 residents of Consett, County Durham, had been or still were being paid to serve as directors of more than 1,000 shell companies.

People in the town were paid £50 cash to become directors, with a further £150 a year for forwarding company mail, in order to provide a range of online businesses with a UK address to meet requirements to trade in Europe.

The result is that the companies in question may have hidden the true identities of those owning or controlling them. And since it is suggested that the people of Consett paid these tiny sums were not really running the entities in question the implication is that each must have been run by what are really called shadow directors.

The Guardian says that there is no evidence of wrong doing, and I will take their word for it because I have no reason to do otherwise and that is, anyway, not the focus of my interest. That interest is centred on the fact that there is no effective regulator to investigate this issue in any event. I know this from the following email sent by Companies House to a complainant earlier this year. I have edited this to delete details of the particular complaint at the request of the recipient:

Further to your recent emails to ourselves regarding various breaches of the Companies Act 2006, I would like to give you some information about the role of Companies House and the Breaches Team in particular.

Companies House is primarily a registry of public information only. Its main role is to ensure that companies promptly file statutory information required under the Companies Act, and to make this information available to the general public, within the time scales laid down by legislation.

The Breaches Team are a small team of 4 individuals, who look into numerous breaches of various areas of the Companies Act 2006. Of course, some breaches are a lot more serious than others and ... it [is] simply is not physically possible for us to investigate and seek compliance in all cases.

I am sure you can appreciate both the time and financial constraints placed on the UK Government during the current climate, and so we must consider the public interest when taking on a case.

So nearly 3.8 million companies and many more directors are monitored by just four people. That is it. But in that case we should be under no illusion: this is not a company regulator. This is a company registrar. And for the record, no one else accepts responsibility for the regulation of companies either. BEIS effectively washes its hands of the issue and it is not HMRC's job.

The net result is that for all practical purposes the UK's limited companies are almost entirely unregulated. And that is a scandal because if we want free, fair and open competition then all market participants have to play by the same rules. But they are not. Some disguise their affairs. Many do not file their accounts. There is no evidence that new rules on beneficial ownership declaration will be enforced. And they can do this and get away with it. Candidly, this is outlaw territory for all practical purposes. And the UK government tolerates this despite the enormous potential loss of tax revenue it gives rise to. The only appropriate question to ask is why do they do that? Maybe they would like to comment.