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UK Firms Face Companies House Compliance Challenge

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As the U.K. braces for sweeping changes under the Economic Crime and Corporate Transparency Act (ECCTA), a stark reality has emerged: most businesses are unprepared for the imminent regulatory overhaul at Companies House. New research from financial services firm Vistra, shared exclusively with City AM, paints a troubling picture of corporate readiness, with only 28 per cent of U.K. company directors expressing confidence in their ability to meet the new requirements.

The ECCTA, set to roll out key provisions in the coming months, introduces stringent measures aimed at curbing economic crime. Companies House is gearing up for robust enforcement, with the threat of unlimited fines and director disqualifications looming for those who fail to comply. Yet, Vistra's survey reveals a pervasive lack of preparedness, particularly among small and medium-sized enterprises (SMEs). Alarmingly, none of the smallest firms surveyed felt 'very prepared', while even among larger companies, only 37 per cent reported confidence in their readiness.

A cornerstone of the ECCTA is the mandatory identity verification for directors, persons of significant control (PSCs), and those filing on behalf of companies. Despite 21 per cent of directors claiming compliance, Companies House data reveals a mere 2.86 per cent have completed the process, a glaring disconnect between perception and reality. Smaller businesses are particularly vulnerable, with 83 per cent lacking any identity verification process and fewer than half confident in identifying their PSCs.

The introduction of the 'failure to prevent fraud' offence, effective September 1, is a pressing concern. This measure holds firms accountable for fraud committed by employees, agents, or subsidiaries unless they can prove 'reasonable procedures' were in place. Only 19 per cent of directors believe their current measures meet this standard, and just 38 per cent are confident their fraud prevention strategies would hold up as a statutory defence. SMEs are especially exposed, with two-thirds of their directors admitting uncertainty or unpreparedness.

Meg Ogunsola, Vistra's global director of entity management solutions, underscored the stakes in a recent interview with City AM: "The ECCTA remains critical in the UK's fight against fraud." She noted the government's attempt to balance protecting businesses while avoiding excessive burdens, particularly amidst high inflation and economic uncertainty. However, the current Labour administration's temporary pause on certain ECCTA requirements, such as mandatory profit and loss account filings for small firms, offers only fleeting relief. Core obligations, including identity verification and fraud prevention, remain non-negotiable.

Compliance experts warn that procrastination is not an option. The gap between awareness and action must be bridged swiftly to avoid severe penalties. For many firms, particularly smaller ones, the challenge lies in navigating these complex requirements without the resources of larger corporations. As the enforcement deadline looms, businesses must

prioritise robust systems and training to meet the ECCTA's demands and safeguard their operations.