



Informing Progress - Shaping the Future

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Economic Crime and Corporate Transparency – Changes and Impact

The Economic Crime and Corporate Transparency Act 2023 (ECCTA) is among the most significant reforms to UK company law and the corporate register for several years. The purpose of the Act is to make the corporate environment harder for criminals to exploit, as well as to improve the accuracy and reliability of Companies House data and equip regulators and law enforcement with better tools to prevent, investigate and prosecute economic crime.

The practical effects, however, are wide-ranging and touch company formation and filing, beneficial-ownership disclosure, director and owner identity checks, new corporate criminal liability and financing for anti-money-laundering work. These elements will help build more resilient corporate frameworks and a general business environment with greater transparency and accountability.

Core provisions of the Act

Several pillars of the ECCTA are particularly important for in-house lawyers, boards and compliance professionals:

- **Companies House powers and verification:** the Act reforms the processes and functions of Companies House, transforming it from a passive administrative registrar to an active regulator that can proactively check the veracity of information and remove inaccurate or fraudulent entries.

Additionally, it can verify the identity of directors and persons with significant control (PSCs). These measures are intended to improve the accuracy of public data and the reliability of the register as a source of information for interested parties.

- **Register of Overseas Entities:** the rules on reporting of overseas entities owning UK land assets are enhanced, building on the initial Register of Overseas Entities (ROE) regime established by the 2022 Act, which requires overseas entities to register with Companies House if they want to buy, sell, or transfer land in the UK.

Areas expanded include a broader definition of what represents a beneficial owner and safeguards to ensure that legal-entity trustees are captured, both measures seeking to restrict the use of opaque offshore structures in property ownership.

- **Failure to Prevent Fraud:** a significant provision that makes large companies (defined as having 250+ employees, £36 million turnover or £18 million in assets) criminally liable if they fail to prevent any associated person from committing fraud anywhere in the world. Employees, agents and subsidiaries are all in scope as associates and their actions must be for the intended benefit of the organisation, even if unsuccessful.

Unless they can demonstrate reasonable fraud prevention procedures, firms face prosecution that could include unlimited fines. This shifts emphasis away from proving individual accountability to corporate liability and assessing whether an organisation had adequate controls in place.

- **Transparency for limited partnerships and other entities:** the ECCTA extends transparency requirements beyond standard companies to limited partnerships (LPs) and limited liability partnerships (LLPs), which closes a previous loophole often used to shroud ownership and control.
- **Funding and resources:** the Act sits alongside the Economic Crime (Anti-Money Laundering) Levy and other funding methods in resourcing investigatory and supervisory activity via corporate fines, although the ECCTA is funded through government support during the initial period. This shows a recognition that better, sustained powers require viable financing.

These reforms collectively alter the regulatory and legal landscape by introducing significant risks to filing inaccurate data and making anonymity harder to preserve. The corporate governance baseline, particularly around fraud prevention, is therefore being raised.

Key Developments in 2025

2025 sees a number of ECCTA measures either in force or in active rollout, with others planned for introduction in subsequent years. Noteworthy developments are:

- **Identity verification rollout:** Companies House has progressively introduced identity verification requirements for officers and PSCs. The process began in stages throughout 2024, with significant expansion of verification obligations on directors and significant controllers introduced in November, with over 7 million individuals required to prove their identity to Companies House.

Failure to verify can result in criminal sanctions and restrictions on filing rights, fundamentally changing the onboarding process for new directors and investors.

- **Failure to prevent fraud:** the corporate offence of failing to prevent fraud took effect in 2025, with the practical consequence being that large companies must document and demonstrate robust, proportionate fraud prevention procedures in a similar way firms did for the Bribery Act compliance obligation. Companies that previously relied on the absence of proven complicity at senior levels can no longer assume immunity.
- **Continued Transformation of Companies House:** the government has published transition plans and progress reports indicating phased implementation of digital and verification systems, legislative secondary instruments, and increased information sharing with law enforcement. The full modernisation of Companies House is expected to continue through 2026–2027.
- **Resourcing via the Economic Crime Levy:** the levy's receipts and published reports from 2023–24 confirmed the allocation of £300 million in expected levy receipts from 2023-24 to 2025-26 to core deliverables. This signals sustained funding for ongoing supervisory activity and better resources for enforcement going forward.

Impacts on company law and corporate practice

The cumulative effect of the ECCTA is a reframing of several long-standing assumptions in company law practice:

- Due diligence and compliance are now board issues, meaning senior executives have to ensure proportionate and demonstrable controls. The motivation now extends beyond preventing regulatory fines to avoiding criminal liability under the new offence. Legal teams should anticipate greater demands for updated assurance and reporting from directors and senior management.
- The public register will become less anonymous and more actively policed, making company formation and filings higher risk. Solicitors, company secretaries, and formation agents will need to adapt their processes to include stronger identity checks and documentary evidence to meet Companies House standards.
- Limited partnerships and alternative vehicles require renewed focus, and advisers working with LPs and LLPs must record beneficial ownership carefully and prepare for more rigorous disclosure obligations than those previously applied.

- Cross-border and property transactions face increased friction, as overseas entities and property purchasers must ensure the relevant registers are up to date. Consequently, buyers and financiers will rely on the register with greater confidence but will demand additional warranties and checks where necessary.
- New criminal offences and improved data quality increase enforcement and litigation risk and the prospect of prosecutions. Insurers, risk officers and in-house counsel should reassess exposures and crisis plans to mitigate the enhanced risk.

The Future and Steps for Businesses

The ECCTA represents a strategic shift that moves the UK from a lightweight, record-keeping Companies House model to a proactive, regulated register underpinned by clear obligations and robust criminal provisions.

The legislation does more than add paperwork; it raises the basis of corporate responsibility and reshapes company law in ways that will affect governance, compliance and transactional practice in future years. Businesses and advisers must adapt to the significant change in risk and disclosure expectations or face regulatory scrutiny and possible criminal consequences.

Companies should focus on the key governance, process, and disclosure areas. Practically, this means updating and embedding robust fraud-prevention, identity-verification and onboarding controls, as well as accurately mapping beneficial ownership across corporate groups, and reviewing filing processes to ensure completeness. Additionally, legal advisers should update client alerts and due diligence checklists, and boards should expect more detailed assurance requests from regulators and auditors.

FOIL actively monitors the latest regulatory developments to assess their potential impacts on insurance law and practice. As part of this commitment, FOIL continues to track the implementation of the ECCTA, ensuring that any emerging obligations or compliance requirements arising are clearly understood and communicated to its members.

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