

Title: Company Names - Red Tape Challenge Lead department or agency: Department for Business Innovation and Skills (BIS) Other departments or agencies:	OITO Verification
	Date: 16/09/2014
	Stage: Validation
	Source of intervention: Domestic
	Type of measure: Affirmative SIs
	Contact for enquiries: Maureen Beresford: 0207 215 3342
Summary: Intervention and Options	RPC Opinion: GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
£1.45m	£1.45m	-£0.13m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?

The Government wants to reduce the number of unnecessary regulations (regulatory failure) that hold back businesses while ensuring that both workers and the public are protected.

1) If companies are required to provide to government unnecessary information they incur compliance costs without any corresponding benefits. In this case, stakeholders have explained that requiring a company to provide additional information to support the use of a particular word as part of a company name can add burdens to business.

2) All companies must have a registered name. In the majority of cases the choice of name is a decision for those setting up the company. So long as the name is not already in use by another company the name is allocated on incorporation. However, there are a number of words which are characterised as 'sensitive' because in the past it was felt that their use could cause harm or mislead the public or third parties. Companies are required to provide additional information to the registrar if they wish to use a sensitive word as part of their registered name. The list currently includes a wide variety of words ranging from government and dentist to national Board. Providing this additional information adds costs to a company, so as part of the red tape challenge the government consulted on whether the list of sensitive names was still fit for purpose and whether the list could be removed completely or the number of names on the list reduced to cut burdens on business.

3) Following the consultation it also became clear that rules on the characters that were accepted by Companies House were out of date. Currently diacritics such as accents, umlauts or cedillas are not allowed when registering a name. We will amend the regulations to allow companies to register a name which includes diacritical characters.

4) We have also taken the opportunity to consolidate a number of statutory instruments (SIs) relating to company names to reduce the statute book and ease reading of the regulations. Consolidation will not change the law but will ensure that the reader is able to access all the information in one place. Consolidation will not add burdens to business. The regulations from each SI will simply be moved into the consolidated one. One of the key aspects of the Red Tape Challenge process was that the number of SIs should be reduced. Therefore consolidation in this case is in line with those principles.

What are the policy objectives and the intended effects?

The objective is to ensure that unnecessary burdens are not imposed when a new company is incorporated. A consequence of this will be that a greater proportion of new companies will be able to incorporate quickly without delays to the process relating to the company name. The Government's aim is to reduce burdens on business and to ensure that red tape is removed to help companies get on with doing business and grow. Thanks to these changes admin costs for new companies will decrease as the intervention will reduce the number of sensitive names and enable more companies to incorporate quickly using the name of their choice.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Options:

1. Do Nothing – Keep the full sensitive names list and do not extend the use of characters allowed in a name.
2. Simplify the company names regime by: reducing the number of sensitive names, extending the list of permitted characters and merging five Statutory Instruments into two. The final proposal is in line with Red Tape Challenge requirements to reduce the size of the statute book. (This is the preferred option, which includes all three elements. In principle, option 3 could also include these two elements.)
3. Remove all rules relating to names

As part of the government's Red Tape Challenge (RTC) programme the Company and Commercial law theme sought views on company names at an early stage. Following initial comments on the Red Tape challenge Web site BIS undertook a formal consultation in 2013.

The consultation sought views on the options above, and asked whether it would be useful to merge the Statutory instrument relating to company names. The responses to the consultation were in favour of merging the requirements for ease of reading. The SIs to be merged are:

- The Company and Business Names (Miscellaneous Provisions) Regulations 2009(1);
- The Company, Limited Liability Partnership and Business Names (Miscellaneous Provisions) (Amendment) Regulations 2009(2);
- The Company, Limited Liability Partnership and Business Names (Public Authorities) Regulations 2009(3);
- The Companies (Trading Disclosures) Regulations 2008(4);
- The Companies (Trading Disclosures) (Amendment) Regulations 2009(5).

The do nothing option would continue the status quo and as part of the consultation no one suggested that the regime should be completely unchanged. Doing nothing would not meet the government objective to reduce the number of Statutory Instruments and reduce burdens on business.

The current regulations list 150 sensitive words. The department received over 250 responses to the consultation. The vast majority agreed that it was important to keep some sensitive words but there was support for reducing the number of names on the list. Following analysis of the responses to consultation the government issued its 'response to consultation' which proposed reducing the sensitive names list. The response to consultation is at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/246280/bis-13-1139-company-and-business-names-response.pdf.

By retaining some sensitive names such as Bank, University, government and institute third parties will have confidence that the companies have the right background to be working and advising in these areas. The words and expressions to be retained are those which, if misused, are likely to cause confusion as to what the company actually does or has the legal authority to do. For example a bank has the support of the Financial Conduct authority, or an institute has stature in the sector and is well regarded by its members.

Annex A shows the current list and those words which are being removed.

The changes to the list strike a balance between reducing red tape and ensuring that companies do not pass themselves off as something that they are not.

The decision to remove words from the list is based on the views expressed in the responses to the consultation. The over-riding consideration was whether the use of such words 'unchecked' would still cause potential harm to the public. For example, the words to be removed include national, European and international. In a global world such words no longer represent pre-eminence in a particular sector.

⁽¹⁾ S.I 2009/1085.
⁽²⁾ S.I. 2009/2404.
⁽³⁾ S.I. 2009/2982.
⁽⁴⁾ S.I. 2008/495.
⁽⁵⁾ S.I. 2009/218.

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: n/a	Non-traded: n/a	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: Jo Swinson Date: 26 November 2014

Summary: Analysis & Evidence

Policy Option 1

Description: Measures to Simplify Company Filing Requirements

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	High: 0	Best Estimate: 1.45

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	1.2	0	1.2

Description and scale of key monetised costs by 'main affected groups'

A change to the list of sensitive names and allowing more characters to be included in a company name will mean that there are familiarisation costs for those businesses that advise potential companies on a regular basis. The familiarisation costs will arise because advisors will need to ensure that they do not deter a company from using a name or character that is to be removed from the list or suggest that the company gather and supply additional information to support the inclusion of such a word. Many companies provide advice to companies in relation to formation matters. Such companies can be lawyers, accountant, company secretaries or similar agents. It is not possible to know which individual agents within each category would offer specific advice on formation. Some will comment on whether a name is appropriate and explain what the requirements are if a sensitive name is required. As a proxy for the wide ranging group of formation agents we have used accountants, this is in line with the approach taken in other Impact Assessments when discussing those companies that assist in formation of companies.

There will not be any familiarisation costs for new companies as they will not have been subject to the previous naming requirements. They will only be subject to the new requirements on incorporation, and their need to understand the naming conventions in force at the time of incorporation is unaffected.

Other key non-monetised costs by 'main affected groups'

Some groups of companies may not use agents to incorporate new subsidiaries but may often set up companies within their group, and therefore may be familiar with the rules relating to company names. In such cases a group which is adding a subsidiary to the group might also need to familiarise themselves with the revised list. We have no information on how many groups there are in the UK as this information is not collected or to what extent these groups might be affected in this way.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0.3	2.6

Description and scale of key monetised benefits by 'main affected groups'

Benefits arise from costs avoided by companies which will not need to provide evidence to justify their use of the words newly removed from the list. Therefore some companies will avoid the cost of having to reapply if their application is initially rejected due to the lack of evidence.

Other key non-monetised benefits by 'main affected groups'

Only 68 companies per year request the use of names including sensitive words other than the 6 most common ones. It is not possible to estimate the benefits to these. We also cannot quantify the benefits of faster incorporation or those derived from the consolidation of Sis to simplify regulation or from permitting the use of diacritical marks.

Key assumptions/sensitivities/risks (%)**Discount rate**

3.5%

We assume that the number of companies incorporated in the year to May 2014 is representative of the number of incorporations per annum going forward. The number of new incorporated companies has grown by 9% every year since 2009/10¹ But we have kept a conservative approach and considered the number of companies incorporated in 2014 without any increase.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.1	Benefits: 0.2	Net: 0.1	Yes	OUT

¹ Companies House, Statistical tables on companies registration activities 2012/13

Evidence Base

Executive summary

(i) Problem under consideration and rationale for intervention

The Government's aim is to reduce burdens on business and to ensure that red tape is removed to help companies get on with doing business and grow. In order to have the benefits of limited liability a company must have a registered name. In order to help the public a company name should be unique. In addition it is important that the name does not convey that the company has a standing it does not in fact possess in a way which may harm the public.

(ii) Options and policy objectives

1. Do Nothing:

Doing nothing would not allow some companies to benefit from reducing the sensitive names list and allowing diacritics in registered names. Unnecessary costs would continue to be incurred in producing supporting information to justify the use of those words which are no longer considered sensitive.

2. Reduce the number of names on the sensitive names list, allow companies to use diacritics in their registered name and consolidate statutory instruments (preferred option):

This option retains a list of sensitive names which will ensure that the public are not misled. Those that we intend to remove are those which are most often requested and whose removal we judge in the light of the consultation evidence would be highly unlikely to permit harm to the public. These include 'international' and 'holding', for each of which there were over 8,000 applications to use the word in the 12 month period from May 2013 to April 2014. The use of these words was granted in over 80% of all applications. Those that were not granted the name may have simply decided that they did not want to continue to use the word after initial rejection or failed to provide appropriate evidence. In the case of the words that we are removing it is unlikely to cause harm to the public if they choose to enter into a contract with a company that includes names such as European or Group or Holding. This is in contrast to the words not to be removed which include words like 'bank' and 'government'. The word 'bank' was requested over 300 times and granted in less than 50% of cases and 'government' was requested 11 times and granted on 6 occasions. Responses to the consultation agreed that words such as these should be maintained on the list, and only granted with appropriate agreement.

Allowing the use of diacritical marks within names will reduce the regulatory burden of reapplying on companies who apply for names using these marks and have their application rejected. It has not been possible to monetise these benefits.

Consolidating statutory instruments relating to company names will simplify regulation and create benefits to companies and company agents who need to consult these regulations, but it is not possible to monetise these benefits.

3. Remove:

The government considered whether all names should be removed from the sensitive list, but on balance a list is to be maintained based on evidence from the consultation. In the case of some words used in a name there remains a strong suggestion of achievement of a certain standard or offering certain services, such as institution, bank, or Chamber of Commerce, and consultees felt that there was still a strong risk of harm to the public from the misleading use of these words. It has not been possible to monetise this risk, but based on consultation evidence we judge it outweighs the additional benefits of removing the list, which derive from familiarisation costs foregone and from

benefits to the very small numbers of additional companies who apply for names using these words. Removing the list could also be combined with allowing the use of diacritical marks and consolidating regulations, producing the same non-monetised benefits as in option 2 above.

(ii) Costs and Benefits

1. Transitional costs

There will be some familiarisation costs for those companies that act as agents and incorporate many companies in a year. They will need to familiarise themselves with a reduced list of sensitive names.

The time taken to read the new list of sensitive names and diacritic characters and note the changes is considered to be about 10 minutes. This is based on Companies House's discussions with their formation agents who have been able to assess the time it takes them to consider a new list of names

The companies affected by familiarisation costs are agents; as with the Impact Assessment for Micro –exemptions and the associated Impact Assessment for Company Filings we use accountants as a proxy for the number of agents¹. The number of accountants is 312k. We also assume the average hourly wage including non- wage uplift to be that of an accountant at £22.75².

Thus the familiarisation costs are $(0.166 \times 22.75) \times 312k = \text{£}1,183,000$.

There will not be any one-off familiarisation costs for those companies who incorporate new companies directly with Companies House without using an agent. They will only become aware of the requirements relating to names on incorporation or when they begin to consider the requirements for incorporation. These new companies will not be aware that the sensitive names list or the rules on characters has changed. Whilst incorporating the rules will be explained via the Companies House IT system.

2. On-going costs

There are no on-going costs associated with the proposed changes. We are not bringing forward any new requirements alongside the changes noted.

3. Non monetised costs.

There are no non- monetised costs associated with this policy.

4. On-going benefits.

The on-going benefits are for those companies that no longer have to wait for a sensitive name to be approved, or provide further information to justify the use of a sensitive name. We have been able to quantify the benefits of removing the most common six words on the sensitive names list.

The savings we have found are the following:

- Costs avoided because companies are no longer required to resubmit applications for the use of a name = £41,200
- Costs avoided by those companies who no longer need to provide relatively simple information to support application = £296,000
- Costs avoided by those companies who no longer need to seek support from a third party for the use of a word = £5,700

Overall, total annual cost savings/ benefits to business will be £342,900.

¹ BIS 2013- Micro Exemptions IA. This is based on evidence from the Professional Oversight Board (2012) which notes that in 2011 there were 312,104 members of the seven accountancy bodies in the UK.

² ASHE data 2012

5. Non-monetised benefits.

There will be benefits for those companies that want to use other words than the six most common words that have been removed from the sensitive lists; however these words are requested so rarely that we have not been able to quantify the benefits associated with removing these words.

In addition there will be benefits from increasing the speed of incorporation for those companies that choose to use a word that is no longer on a 'sensitive names list'. This may be important for some new companies but it is not possible to quantify this benefit.

There will also be benefits for a company who wishes to include a diacritic character in its name. Companies House tell us they are rarely asked for such characters to be included but the Registrar in Northern Ireland is sometimes asked why a fada is not a character that can be used. The changes will reduce the time prospective companies spend in dialogue with Companies House about whether a particular character is acceptable.

Consolidation of the group of SIs relating to company names will draw together all the relevant regulation in one place and allow for simplification. There will therefore be some benefits to companies and company agents who need to consult the regulations, but it is not possible to quantify these.

(iv) Conclusion

In line with the government's commitment to reducing red tape and following the results of the consultation we will reduce the sensitive names list, allow the use of diacritic characters in company names, and consolidate the following regulations, simplifying drafting where possible.

- The Company and Business Names (Miscellaneous Provisions) Regulations 2009(3);
- The Company, Limited Liability Partnership and Business Names (Miscellaneous Provisions) (Amendment) Regulations 2009(4);
- The Company, Limited Liability Partnership and Business Names (Public Authorities) Regulations 2009(5);
- The Companies (Trading Disclosures) Regulations 2008(6);
- The Companies (Trading Disclosures) (Amendment) Regulations 2009(7).

Reducing the list of sensitive names is part of the Company and Commercial Law Red Tape Challenge initiative. This measure is within scope of one-in-two-out (OITO), as a deregulatory 'OUT'. This note summarises our estimates of the impact on business over a 10 year period. A description of the key evidence and methodology is contained within the pages that follow. The monetised estimated average annual cost to business (EANCB) is £0.13 million.

a) Problem under consideration

1. There are advantages to people in doing business through a vehicle which is legally distinct from its owners, i.e. a company. One benefit is that the liability of the owners and managers for the company's debts is limited – for example to the amount of the shares owned

⁽³⁾ S.I. 2009/1085.

⁽⁴⁾ S.I. 2009/2404.

⁽⁵⁾ S.I. 2009/2982.

⁽⁶⁾ S.I. 2008/495.

⁽⁷⁾ S.I. 2009/218.

by a person (for a company limited by shares) or the amount of the guarantee given by a person (for a company limited by guarantee). Limited liability is seen as a privilege and there are corresponding responsibilities; in order to benefit from limited liability UK companies are subject to certain legal requirements. One of these is that the company name must be registered with the Registrar of Companies at Companies House. A company has a legal status separate from that of its owners and the registered name clarifies the company's legal identity.

2. Once a name is in use by a company the exact name is no longer available to any other company. In order to protect the public the regulations made under the Companies Act set out the rules relating to names and words within a company name which may be registered. The rules protect members of the public from being mis-led, as a result of the use of a name which falsely conveys authority, status or pre-eminence, or by a name that is the same as, or sufficiently similar to another.

3. If words on the sensitive name list are included in the proposed company name then the Registrar can reject the name or seek further information to support the use of a particular word. Rejecting a name or seeking more information before registering a company can add costs to the company. Some companies will have made themselves aware of the rules on names prior to registration and will send in appropriate additional information to support the use of a specific name or word. Others will not and may receive a rejection letter from Companies House. Guidance is already available on the Companies House website, and in addition Formation Agents hold regular meetings with Companies House officials to apprise themselves of any changes to regulations including company names.

4. Those companies that incorporate not using a sensitive name and so without any need for further information can be processed electronically in a few hours providing all other information is correct. Even with the supporting evidence Companies House will take a minimum of 1 extra day to process a proposed name which includes a sensitive name. If the company does not supply such information the application will be rejected pending further information and a new application must be made: it could take weeks or even months for the company to compile appropriate supporting information.

5. It is beneficial to business to be able to incorporate as quickly and at as low a cost as possible and therefore any barriers that delay incorporation or add costs to the incorporation process should be reduced or removed where possible. The UK government is keen to ensure that the UK is one of the best places to set up and run a business.

Reducing the Sensitive Names List

6. Reducing the number of names on the sensitive words list will allow many more companies to incorporate using the name of their choice without the requirement to supply additional information to support their choice of name. There are currently over 150 words on the sensitive list, including Welsh equivalents.

7. For the period May 2013 – May 2014 Companies House received 36,840 applications to use a company name which included a sensitive word. 29% (10,683) of the proposed names were rejected, and were being required to re-submit the name with additional information.

8. 25,369 of the applications proposed names which contain sensitive words that are intended to be removed under the new regulations. These applicants would not have been required to submit additional information under the proposed changes. In addition, in the year to May 2014, the applications of 6,199 of these companies were rejected – under this proposal

these companies would save money as they will not be required to apply to Companies House in order to use words that will no longer be in the sensitive names list.

b) Rationale for intervention

9. The problems identified above represent a regulatory failure due to the regulatory framework requiring companies to supply supporting evidence when choosing a company name including words which would no longer cause harm or mislead the public. This currently imposes unnecessary costs on some businesses who wish to have a name which includes such words. These words include amongst many others; board, International, European. The aim of the intervention is to reduce the number of sensitive names and enable more companies to incorporate quickly using the name of their choice. The changes will still continue to provide comfort to the public associated with the use of particularly sensitive names which could mislead the public such as government, university and institute. The changes are to be made by amendments to Statutory Instruments. We also intend to consolidate the names regulations into two Statutory Instruments, this is a mechanical change. The regulations to be revoked are listed above

c) Policy Objective

10. The Government's Plan for Growth published in March 2011⁸ set out four overarching ambitions to ensure progress is made towards achieving the economic goal of achieving strong, sustainable and balanced growth. One of these ambitions is to make the UK one of the best places in Europe to start, finance and grow a business. One of the benchmarks to support this is a lower domestic regulatory burden.

11. The Government believe that it is important that we have a company law framework that gives companies the flexibility to compete and grow effectively.

12. Business regulations are necessary to protect the public and workers, but they can also stop businesses from reaching their potential. The Government wants to reduce the number of unnecessary regulations that hold back businesses while ensuring that both workers and the public are protected. At the same time it is important to ensure that we do not require companies to provide unnecessary information when incorporating a company.

d) Summary of the policy

13. The policy will reduce the number of names on the sensitive names list to improve the ease of incorporation for more companies. This will reduce the time taken to incorporate, reduce the need to re-submit applications and reduce the costs associated with these actions.

e) Description of options considered

Three options were considered, to do nothing, to simplify the system and to remove all sensitive names. The issue relating to diacritical names was raised following the closure of the consultation. In addition, the consultation suggested consolidating the regulations relating to company names.

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31584/2011budget_growth.pdf

14. It was clear from the original comments from the Red Tape Challenge website that stakeholders felt that the legislation could be improved, predominantly by removing some of the sensitive names. This view was cemented following a formal consultation. The consultation sought views on not only amending the sensitive list but also removing all sensitive names.

15. Removing all of the sensitive names would result in a company using any word in its name without challenge so long as the name was not already in use by a company. For example a company could call itself a Bank without having the support of Financial Conduct Authority. Or it could call itself government, when there was no link to government. In order to offer some protection to the public we believe that there is still a need for a list of sensitive names.

16. All names on the list were considered in the light of the consultation responses and information from Companies House relating to how often the words were requested, how often the sensitive word was granted and possible impact of removal on the public.

e) Assessment of business impacts

17. As mentioned already the government consulted on this issue twice. The first consultation, which formed part of the company and commercial law red tape challenge confirmed views that some improvement could be made to the requirement for approval of names. A second consultation which ran for 12 weeks then asked more specific questions relating to the list of names.

18. There were 254 responses to the consultation, of which 246 responses stated that there should be some form of names regulation. However respondents were less clear when asked which names should be retained. There was a campaign to keep the words 'co-operative' and 'chamber of'. Following the consultation the government and Companies House have considered evidence from the consultation alongside data on requests to use sensitive names, and have decided to remove from the list those names which are frequently requested but if misused would cause little harm to the public by misleading them about the nature of the company. Annex A lists the names to be retained.

19. The benefits and costs of each of the policy measures outlined in the previous sections are set out below.

BENEFITS:

20. Companies will benefit from not having to provide information to support their proposed name. Companies House have analysed those companies that applied to use a company name including a sensitive name. If we applied the new sensitive names list to those companies that applied for a company name for the period May 2013 – May 2014 then 25,369 companies would not have been subject to a delay in processing their incorporation documents. The minimum delay is 1 working day whilst Companies House either accepts the name with the appropriate supporting information or rejects the name seeking additional information. We are unable to quantify the saving associated with the delay to incorporation.

21. We do know that 6,199 companies would have had their name rejected and would have had to apply to use the name again. For the purposes of the IA we have concentrated on six words that have most applicants and there are precise rules on what information must be provided to support an application. It is not possible to assess the work required to support the less frequently requested sensitive words, as the additional work will be very quick for some companies and may take weeks or even months: thus the benefits calculated here will be an

underestimate. The six most requested words that we are going to remove are European, group, holding, national, international and board. Applications for the use of these words total 25,260 among which 6,149 applications have been rejected. The remaining words such as 'oversight', 'register' and 'Data protection' only have a small number of applications each year. The other names which are being removed total 109 applications and 50 rejections.

22. The number of applications and rejections for the **six most common words** is the following:

Word	Application numbers	Rejected
Board	70	30
European	220	12
Group	6520	2609
Holding	9897	1714
International	8384	1633
National	169	151
Total	25,260	6,149

23. *Costs of resubmitting the incorporation forms for the rejected companies:*

Companies House is able to use its IT systems to calculate the average time it takes for a company to complete the required forms to incorporate a company. Analysis of applications made in March 2014 shows that the average time for webfiling was 17 minutes. We assume that the director of a company or equivalent will undertake this process. Thus the total cost saved is 6,149 companies multiplied by the average director's hourly wage⁹ (£23.67) multiplied by 17/60 minutes = $6,149 * 23.67 * (17/60) = £41,200$ savings.

24. *Costs of submitting original application with additional information, or attaching additional information to the resubmission:* This requirement also adds time and cost for a company director applying for incorporation.

The following information is required to be provided for the six words considered:

- Group – Written confirmation is required that the proposed company will be part of a group that includes two or more existing companies, including the names of the two existing companies.
- Holding – written confirmation is required that the company will be a holding company in accordance with the Companies Act. A name of at least one subsidiary or a statement that this requirement will be met within three months of registration is required to support the application.
- International – The company must provide written confirmation that a significant part of the company's activities is trading overseas including details of the countries in which it is trading.
- European – If the company is proposing to use the word 'European' in relation to activities associated with the European Commission or similar organisation they must confirm that this is the case and supply supporting documentation.

⁹ ASHE data 2012

- National – The company must demonstrate that they are pre-eminent in their sector within the country. The support is normally a letter from a trade body, representative organisation or in some cases a government department.
- Board - If the word is to be used in a supervisory/representative context, we ask the applicant to provide evidence that the company will be acting as such, and that it has the support of whoever it will supervise or represent. CH would expect that to be via a letter or email from a third party.

25. In the first four instances above, (words: group, holding, International and European) the information required is relatively light touch, and it is normally provided by the company in an email or letter addressing the questions raised by Companies House. Companies House have assessed the responses received for these four words and consider that almost all companies will have access to the information and will take no longer than 30 minutes to provide the information. This includes reading and understanding what is required, accessing the information and writing the response.

26. Thus the calculation for these four words is 25,021 firms multiplied by 30/60 minutes multiplied by the average director's hourly wage.

27. The total annual cost avoided is therefore $25,021 * 23.67 * (30/60) = £296,000$.

28. Companies House have also been able to estimate the costs for two words 'national' and 'board' where the company will take longer to provide relevant information in support of their case for using the word.

29. On average Companies House assess this as a week from rejection to receiving a new application however in some cases this could take significantly longer. We estimate that it might take an hour to collect the information, especially as many of these responses will require support or comments from a third party.

Thus for these two words word the total annual cost avoided is 239 companies multiplied by the average hourly wage of a director = $239 * 23.67 = £5,700$

30. Thus the overall annual benefits:

- Costs avoided because companies are no longer required to resubmit applications for the use of a name = £41,200
- Costs avoided by those companies who no longer need to provide relatively simple information to support application = £296,000
- Costs avoided by those companies who no longer need to seek support from a third party for the use of a word = £5,700
- Total cost savings/ benefits to business = £342,900.
- Note that because the legislation will come into force in December 2014, for the EANCB spread sheet we have assumed 1/12 of the benefit (£28,600) for year 0.

COSTS:

31. This is a deregulatory measure and therefore the aim of the policy is to ensure that there are few costs associated with the change to policy. The only costs are expected to arise from familiarisation with the new list.

32. We expect that these **familiarisation costs** will apply to company service providers/advisors that provide advice and undertake the incorporation process on behalf of businesses, and those company groups that themselves regularly incorporate new subsidiaries and hence are already conversant with the sensitive names list. They will not be incurred by companies who are about to register as they will not face **additional** costs from the change - they will still need to be familiar with the regulations in force at the time of incorporation, and not with any earlier or later regulations. The words to be removed are already in the public domain as the response to consultation was published some months ago. However, the new list will be contained in the schedule to the regulations and publicised on Companies House website. In addition Companies House will contact the largest agents and inform them of the list without the need for the agent to search out the new information. The time taken to consider the new list of sensitive names and diacritic characters is considered to be about 10 minutes to read the list and note the changes.

33. There are no data on the number of agents however, they are those mainly involved in the incorporation process. Thus we use the number of accountants as a proxy for the number of agents that was used in the Impact Assessment for Micro –exemptions and the associated Impact Assessment for Company¹⁰. The number is 312k.

34. Thus the one-off familiarisation costs are given by 312,000 accountants multiplied by 10/60 minutes multiplied by the average hourly wage of an accountant at £22.75¹¹.

35. Overall costs are $(0.166 \times 22.75) \times 312k = \text{£}1,183,000$

36. There will not be any costs for those companies who incorporate directly with Companies House or as a one off, as the system will simply accept or reject the name as requested. In addition should a person proposing to incorporate choose to consult the sensitive names list prior to registration this will be a one off event.

Risks and assumptions:

37. For the purposes of the impact assessment we have used the category 'accountants' as a proxy for formation agents. This is consistent with the approach in the micro and company filing impact assessment. This is based on evidence from the Professional Oversight Board (2012) which notes that in 2011 there were 312,104 members of the seven accountancy bodies in the UK.

38. We have also assumed that the number of companies incorporated in the year to May 2014 is representative of the number of incorporations going forward.

¹⁰ BIS 2013- Micro Exemptions IA. This is based on evidence from the Professional Oversight Board (2012) which notes that in 2011 there were 312,104 members of the seven accountancy bodies in the UK.

¹¹ ASHE data 2012

41. We have assumed based on our analysis of the information provided that it will take all companies a similar amount of time to provide additional information to support the use of the most common words.

g) Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

Cost/ Benefit	Evidence/ Data gap	Why this evidence has not been included in the validation IA
Benefits		
A) Savings	Only savings for the most common words have been quantified	It is not possible to assess the work required to support the less frequently requested sensitive words, as the additional work will be very quick for some companies and may take weeks or even months: thus the benefits calculated here will be an underestimate. The number of requests for these less common words is extremely small, so the impact on the analysis is likely to be negligible.

h) Wider impacts

42. Statutory Equality Duties

The introduction of allowing diacritics in registered names will allow further use of minority languages.

43. Economic Impacts

Competition Impact Test: No obvious concerns in this area as the changes will affect a very small proportion of businesses.

Small and Micro Business Assessment

The changes will apply to all new company registrations including small and micro businesses. As the measure is deregulatory and all companies should benefit from the changes proposed, we are not exempting small and micro businesses from these measures. Moreover, we estimate the number of small and micro accounting companies to be 1,473¹² (4% of the total number of accounting companies). Assuming each small and micro company to have 25 agents, this gives a one-off familiarisation costs of £139,000=(22.75*0.166)*1,473*25. Conversely, the proportion of new registrations by small and micro businesses each year is 5%¹³ of the total, which amount to roughly 14,000 new micro and small companies incorporated each year. Thus, the benefits will be £166,000¹⁴ per year (14,000*23.67*(30/60)). Thus, the overall impact of the measure is positive for micro and small companies as well.

¹² Fame database (Bureau Van Dijk Electronic Publishing, 2014) on 11 September 2014.

¹³ Fame database (Bureau Van Dijk Electronic Publishing, 2014) on 15 September 2014

¹⁴ These benefits are likely to be an underestimation as we considered the time of application (30/60 minutes) necessary for four of the most common words (group, holder, international, Europe) and the other two most common words (national, board) would require more time and we have not consider them.

44. Environmental Impacts

There are no obvious impacts on the environment associated with the changes being made.

45. Social Impacts

Health and Well-Being: No obvious concerns in this area

Human Rights: No obvious concerns in this area

Justice System: No obvious concerns in this area

Rural proofing: No obvious concerns in this area

Sustainable Development: No obvious concerns in this area

I) Summary and preferred option with description of implementation plan.

46. The government response to consultation has already proposed the new list of sensitive words and Companies House has already made agents aware of the proposed changes. The changes will come into force once the regulations have been made. We will undertake a review of the changes in 5 years, and will continue to collect data on applications for names including the remaining words on the list. If a member of the public is able to demonstrate that the way a company presents itself causes harm then it is possible that Trading Standards could investigate the matter.

Annex A - List of “sensitive” words to be retained and removed
Words to be
REMOVED
Abortion
Authority
Banknote
Board

Data protection
Disciplinary
Discipline
European
Giro
Group
Holding
Human Rights
International
National
Oversight
Pregnancy termination
Register
Registered
Registration
Registry
Regulation
Rule committee
United Kingdom
Watchdog
Words to be RETAINED
Accredit / Accreditation / Accredited / Accrediting
Adjudicator
Association
Assurance / Assurer

Audit office / Auditor General
Bank/ Banking
Benevolent
Britain / British
Chamber of
Charitable / Charity
Charter / Chartered
Child maintenance / Child support
Commission
Co-operative
Council
Dental / Dentistry
Duke
England / English
Federation
Friendly Society
Foundation
Fund
Government
Health centre / Health service / Health visitor
His Majesty
HPSS / HSC
Inspectorate
Institute / Institution
Insurance / Insurer

Judicial appointment
King
Licensing
Medical centre / NHS
Midwife / Midwifery
Mutual
Northern Ireland / Northern Irish
Nurse / Nursing
Ombudsman
Parliament / Parliamentarian / Parliamentary
Patent / Patentee
Police
Post Office
Prince
Queen
Reassurance / Reassurer
Registrar
Regulator
Reinsurance / Reinsurer
Royal / Royalty
Scotland / Scottish
Sheffield
Social service
Society
Special school

Standards
Stock exchange
Trade union
Tribunal
Trust
Underwrite / Underwriting
University / Polytechnic
Wales / Welsh
Windsor