



## Press Release

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### **The system for registering company charges is in need of reform, says the Law Commission**

The current system for registering company charges is unduly cumbersome, slow and expensive. It is paper based, and involves sending lengthy documents to Companies House. Today, the Law Commission publishes its recommendations for a new on-line system, to register charges cheaply and instantaneously. It also recommends simpler and clearer rules to determine 'priority' disputes between competing interests over the same property.

Law Commissioner Professor Hugh Beale said:

*The current system for registering charges dates from 1900 and it shows. Every year, staff at Companies House are involved in quite unnecessary work checking the details submitted, and are forced to reject around 3,000 applications, usually because they are out of time. The parties then have to make a court application for late registration or start again. Under our scheme, lenders will fill in a simple online form. The scheme will provide direct benefits to lenders, businesses and Companies House. I look forward to the Government's response on these recommendations.*

The new scheme recommended by the Law Commission also includes:

- The charge will be registered using a simple online system.
- The criminal sanction requiring companies to send information will be abolished. It will be up to the lender to register the charge and ensure the details are correct.
- Companies House will no longer be required to check through the details and send out a certificate of registration
- Companies House and Land Registry will share information on registration of charges, so properties will only need to be registered once
- The 21-day time limit for registration will be removed, and it will be possible to register in advance of the transaction

The report also recommends extending the scheme to sales of receivables, such as factoring. At present, a factor can only be sure of its priority if it writes to each account debtor. In future, it will be able to secure its position more cheaply and easily by registering with Companies House.

Finally, the report clarifies the rules on for charges over investment securities and other forms of financial collateral.

ENDS

## Notes for Editors

1. The Law Commission is the independent body set up by Parliament to advise Government departments on reform of the law.
2. The Law Commission's final report, Company Security Interests, was published on 31 August 2005, together with draft regulations. The Department of Trade and Industry is currently consulting on whether to implement the regulations under powers to be taken in the forthcoming Company Law Reform Bill (See [www.dti.gov.uk/cld/riaoncompanycharges.doc](http://www.dti.gov.uk/cld/riaoncompanycharges.doc)).
3. The Department for Trade and Industry asked the Law Commission to consider the case for reforming the law on company charges in 2002. In November 2002 we published a consultation paper (CP164), followed by a more detailed consultative report (CP176) in August 2004.
4. Further details about the project can be found from the website: [www.lawcom.gov.uk](http://www.lawcom.gov.uk), under 'A-Z of Projects'.
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