



FLA's RESPONSE TO DTI's WHITE PAPER ON COMPANY LAW REFORM

INTRODUCTION

1. ("FLA") Finance & Leasing Association is the main UK representative body for the asset finance, consumer finance and motor finance sectors. FLA's members comprise banks, subsidiaries of banks and building societies, the finance arms of leading retailers and manufacturing companies, and a range of independent firms. The facilities they provide include finance leasing, operating leasing, hire purchase, conditional sale, personal contract purchase plans, personal lease plans, secured and unsecured personal loans, credit cards and store card facilities.
2. FLA members achieved £93.4 billion of new business in 2004. Of this £25.0 billion was provided to the business sector and UK public services, representing over a quarter of all fixed capital investment in the UK in 2004 (excluding real property). The remaining £68.4 billion was provided to the consumer sector and FLA members represented 29.6% of all unsecured lending in the UK.
3. FLA welcomes the DTI's White Paper for the reform of company law. We agree that the law needs to balance the various interests, including those of shareholders, directors, employees, creditors and customers, without imposing unnecessary or inappropriate burdens. We believe that the majority of the proposals are sensible and will simplify the current law in a way which helps achieve that balance.
4. We have been actively involved in CBI's work on the White Paper and support its response. We would, however, make the following additional comments from our member's perspective as providers of finance to companies.

SPECIFIC COMMENTS

5. The credit industry relies heavily on records held at Companies House and companies' registers of members for material to help identify borrowers and potential borrowers, credit purposes, fraud prevention and money laundering checks. Our members do not establish any lending relationships until thorough checks have been carried out establishing identity and the nature of the business they expect to conduct. For example, Joint Money Laundering Steering Group (JMLSG) Guidance states that before a business relationship is established, shareholder, owner and director information



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should be validated by way of a company search (e.g. Companies House or Companies' Registers of Members) and/or other commercial enquiries depending on the risk profile of the business customer and product concerned. A check of material held at Companies House helps our members make quick and efficient decisions about a company's creditworthiness and so aids the smooth running of the lending process.

6. The quality of material available to assist these checks is vitally important. We therefore especially welcome section 4.9 of the White Paper on the creation of a new offence, making it "unlawful knowingly or recklessly to deliver to Companies House material which is misleading, false or deceptive in a material particular." However, we feel that the proposed legislation should go one step further and require Companies House to verify any changes of address or directors, by sending a letter to the company secretary (or other directors if there is no company secretary) at their private address, informing them of the change that has been notified to Companies House and asking for a response if the new data is inaccurate.
7. We agree with the proposal outlined in section 5.3 of the White Paper concerning directors' home addresses. It should be noted, however, that proposals need to ensure that lenders still have access to this information (e.g. by asking them to disclose this information during the application process) in order to aid the credit decision-making process and minimise fraud.
8. We also support the proposals to ease requirements in respect of company secretaries in order to ease administrative burdens on business, particularly small businesses. We do not see that these proposals will make it harder to assess creditworthiness or otherwise hinder the lending process.

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26 May 2005

For more about FLA please visit our e-politix micro-site at
<http://www.epolitix.com/forums/FLA>