

**EXPLANATORY MEMORANDUM TO**  
**THE LIMITED LIABILITY PARTNERSHIPS (APPLICATION OF COMPANY**  
**LAW) (NO. 2) REGULATIONS 2024**

**2024 No. 1078**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

**2. Declaration**

- 2.1 Justin Madders, Parliamentary Under Secretary of State at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Nis Bandara, Deputy Director for Company Law and Transparency at the Department for Business and Trade, confirms that this Explanatory Memorandum meets the required standard.

**3. Contact**

- 3.1 Trevor Smith at the Department for Business and Trade  
Telephone: 07917955883 or email: [trevor.smith@businessandtrade.gov.uk](mailto:trevor.smith@businessandtrade.gov.uk) can be contacted with any queries regarding the instrument.

**Part One: Explanation, and context, of the Instrument**

**4. Overview of the Instrument**

*What does the legislation do?*

- 4.1 This instrument will ensure that the relevant reforms to company law made by the Economic Crime and Corporate Transparency Act 2023 (c. 56, “the 2023 Act”) also apply to the law governing limited liability partnerships (“LLPs”).

*Where does the legislation extend to, and apply?*

- 4.2 The extent of this instrument (that is, the jurisdiction which the instrument forms part of the law of) is the whole of the United Kingdom.
- 4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

**5. Policy Context**

*What is being done and why?*

- 5.1 Following the Corporate Transparency and Register Reform White Paper published in February 2022, the 2023 Act, among other things, reformed the role and powers of the registrar of companies (whose functions are carried out by Companies House), thereby making changes to company law.
- 5.2 The 2023 Act is designed to prevent the misuse of all corporate structures in the United Kingdom. While the Act itself makes substantial amendments to company law,

it is the intention to apply these changes to the law governing LLPs. This will mean that the law applies coherently and without arbitrary differences between companies and LLPs.

- 5.3 Therefore, this instrument applies provisions of the Companies Act 2006 (c. 46, “the 2006 Act”), as amended by the 2023 Act, to LLPs. The provisions relate to new powers for the registrar to impose financial penalties on LLPs and their members for offences committed under LLP law, and a power for the registrar to strike off an LLP registered on a false basis.
- 5.4 At present the registrar has the ability to remove (“strike off”) an LLP from the register where there are grounds to believe the entity is defunct. These Regulations provide an additional administrative power to remove an LLP from the register (thus bringing about its dissolution) where the registrar has reasonable grounds to believe the application for incorporation (or administrative restoration) contained false or misleading information or was based on a false statement.
- 5.5 This instrument also enables the registrar to impose a financial penalty on a person directly, as an alternative to pursuing criminal prosecution through the courts, if satisfied beyond reasonable doubt that the person has engaged in conduct amounting to a relevant LLP-related offence.

*What was the previous policy, how is this different?*

- 5.6 Provisions about financial penalties and the power to strike off a company registered on a false basis were added to the 2006 Act by the 2023 Act and they previously only applied to companies, not LLPs.

## **6. Legislative and Legal Context**

*How has the law changed?*

- 6.1 The Limited Liability Partnerships Act 2000 (c. 12, “the 2000 Act”) provides for the creation of LLPs and for the making of regulations concerning them. The Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 (S.I. 2009/1804, “the 2009 Regulations”) apply some provisions of the 2006 Act to LLPs.
- 6.2 This instrument is part of a series of Statutory Instruments to be made following the 2023 Act, implementing the reforms within it. The instrument introduces new provisions into the 2009 Regulations which apply sections 1002A and 1132A of the 2006 Act (inserted by the 2023 Act) to LLPs. The application of s.1002A gives the registrar the power to strike off an LLP registered on a false basis, and the application of s.1132A applies the Economic Crime and Corporate Transparency Act 2023 (Financial Penalties) Regulations (S.I. 2024/445) to LLPs, allowing the registrar to impose financial penalties for relevant offences such as certain offences in the 2023 Act as applied to LLPs and any offence in the 2000 Act.
- 6.3 This instrument also makes amendments to the 2009 Regulations so that an LLP that is struck off for being registered on a false basis can be restored to the register.
- 6.4 The instrument also includes minor amendments to the application of section 159A(2) of the 2006 Act by regulation 17ZC of the 2009 Regulations.
- 6.5 These Regulations follow the Limited Liability Partnerships (Application of Company Law) Regulations 2024 (S.I. 2024/234) which apply an initial set of provisions of the 2006 Act (as amended by the 2023 Act) to LLPs. Further provisions will be applied in due course as more company-related provisions of the 2023 Act are commenced, to

ensure consistency between the law governing companies and LLPs. More information can be found here:  
<https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-bill-2022-factsheets/fact-sheet-impact-of-corporate-transparency-reforms-on-limited-liability-partnerships>

*Why was this approach taken to change the law?*

- 6.6 This approach provides the simplest and most appropriate method of making the necessary changes required to ensure the law applies consistently across different entity types.

## **7. Consultation**

*Summary of consultation outcome and methodology*

- 7.1 In 2019, the Government consulted on a range of options to enhance the role of Companies House and increase the transparency of companies and other legal entities. The aim was to tackle the misuse of corporate structures and maintain the integrity of the UK companies register. The consultation received 1,320 responses, and respondents broadly supported the proposals. A copy of the consultation and Government response can be found here:  
<https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform>.
- 7.2 The initial consultation was followed by three further consultations. These focused on: the powers of the registrar, improving the quality and value of financial information on the UK companies register, and implementing the ban on corporate directors. These three consultations opened in December 2020 and closed in February 2021. Respondents were broadly supportive of all the measures proposed. Stakeholders provided a number of suggestions to incentivise compliance with the reforms, and a financial penalty regime was among them.
- 7.3 A copy of the latter three consultations, a summary of the responses, and the Government's position on reforming Companies House as a whole can be found in the Corporate Transparency and Register Reform White Paper:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1060726/corporate-transparency-white-paper.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060726/corporate-transparency-white-paper.pdf).
- 7.4 The Government has also engaged with Devolved Governments on matters which fall within areas of devolved competence. All devolved issues have been settled. Legislative consent has been obtained from Welsh and Scottish Governments. As legislative consent from Northern Ireland could not be obtained at the time of passage of the 2023 Act because an Executive had not yet been formed, the Government legislated without consent.

## **8. Applicable Guidance**

- 8.1 Companies House has extensive guidance for LLPs. Ahead of the new regulations coming into force, Companies House will amend the relevant guidance to ensure that LLPs understand the new requirements.
- 8.2 Current guidance on LLP strike-off, dissolution and restoration can be found here:  
<https://www.gov.uk/government/publications/limited-liability-partnership-strike-off-dissolution-and-restoration/limited-liability-partnership-llp-strike-off-dissolution-and-restoration>

- 8.3 Guidance on Companies House’s approach to enforcement and imposing financial penalties can be found here: <https://www.gov.uk/government/publications/companies-house-enforcement-policy/companies-house-enforcement-policy>

## **Part Two: Impact and the Better Regulation Framework**

### **9. Impact Assessment**

- 9.1 A full Impact Assessment has not been prepared for this instrument because the measures within this instrument will not cause any cost to business. This is outlined in the Impact Assessment for the primary legislation, which is available here: <https://publications.parliament.uk/pa/bills/cbill/58-03/0154/1.ImpactAssessmentfromDepartmentforBusinessEnergyandIndustrialStrategy.pdf>.

#### *Impact on businesses, charities and voluntary bodies*

- 9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The legislation applies to activities that are undertaken by small businesses. No specific action is proposed to minimise the regulatory burdens on them as no regulatory burden is expected for LLPs that are acting legitimately.
- 9.3 There is no, or no significant, impact on the public sector because this instrument merely ensures that the law applies consistently across different entity types.
- 9.4 No impact on the environment is expected as a result of this instrument.

### **10. Monitoring and review**

#### *What is the approach to monitoring and reviewing this legislation?*

- 10.1 The approach to monitoring this legislation is that the Department for Business and Trade and Companies House will monitor all the reforms to Companies House enabled through the 2023 Act and will periodically publish research on their impact.
- 10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, Justin Madders, Parliamentary Under Secretary of State, Department for Business and Trade, has made the following statement:
- “A statutory review clause is not included in the instrument since the additional requirements are not extensive and are considered to meet the Government’s ‘de minimis’ regulatory impact criteria, meaning no impact assessment is required.”

## **Part Three: Statements and Matters of Particular Interest to Parliament**

### **11. Matters of special interest to Parliament**

- 11.1 None.

### **12. European Convention on Human Rights**

- 12.1 Justin Madders, Parliamentary Under Secretary of State, Department for Business and Trade, has made the following statement regarding Human Rights:
- “In my view the provisions of the Limited Liability Partnerships (Application of Company Law) (No. 2) Regulations 2024 are compatible with the Convention rights.”

### **13. The Relevant European Union Acts**

- 13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).