

MACFARLANES

Corporate Law Update: 2 - 8 November 2024

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Draft legislation published to further protect residential addresses

The Government has published revised draft regulations which would, if made, extend the ability for individuals to protect their usual residential address (URA) from view at Companies House.

The revised regulations are substantially similar to the draft regulations the Government previously published in May 2024.

The new regulations would allow any individual to suppress their URA from public view if it has previously been used by a company as its registered office address, which currently is not possible. (If the company in question has been dissolved, the individual would need to wait six months from dissolution before applying.)

Companies House would leave the “outward code” from the post code of the address unobscured. This means the first three or four characters of the post code (e.g. EC4A). If the address does not have an outward code, Companies House would leave the geographical area unobscured (e.g. “Liverpool”).

The regulations would not allow an individual to hide their URA from public view if it is the company’s current registered office address.

The same changes would apply to limited liability partnerships (LLPs).

If made, the regulations would come into force on 27 January 2025.

[Access the draft Companies and Limited Liability Partnerships \(Protection and Disclosure of Information and Consequential Amendments\) Regulations 2024 \(opens PDF\)](#)

Court upholds oral agreement to transfer shares on death

The High Court has held that two individuals – a father and son – entered into a legally valid and binding oral agreement that, if one of them were to die, their shares would transfer to the other of them, and that agreement applied notwithstanding the father’s will.

Lane v Lane [2024] EWHC 2616 (Ch) concerned a company established by a father and one of his sons in 2003. For tax-planning purposes, each took 40% of the shares in the company, with the father’s wife (the “mother”) taking 10% and the son’s wife taking the remaining 10%.

The father had previously made a will in 2001, in which he stated that, on his death, all his property should pass to the mother, unless she died within 28 days of his death (which did not in fact happen).

The father died in November 2009. In October 2010, the company's accountant filed its annual return showing that the father's 40% shareholding had been transferred to his son.

The mother claimed that the father's shares should have passed to her under his will and under the company's constitution. The son claimed that, in September 2003, the shareholders had agreed orally that, if either the father or the son were to die, the deceased's shares would pass to the other of them. As a result, he argued, he had become entitled to his father's shares on his father's death.

The court found that the shareholders had in fact entered into an oral agreement. As a result, the son was entitled to the father's shares. If, for any reason, the shares were to be registered in the mother's name, the court would order her to transfer them to the son.

The decision is a useful reminder of how contractual arrangements can interact, and potentially conflict, with testamentary stipulations in a will. In this case, the oral agreement effectively overrode the deceased shareholder's will, placing his shares with his son, rather than his wife.

The judgment is also a useful reminder to consider what should happen if an individual shareholder dies and to ensure that the company's constitution and any contractual arrangements cater for this situation.

[Read our separate in-depth piece for more on the High Court's decision that a shareholder had entered into an oral agreement to transfer his shares on his death](#)

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Takeover Panel narrows scope of UK Takeover Code

The Takeover Panel has confirmed that it is narrowing the range of companies to which the UK's Takeover Code applies with effect from 3 February 2025.

The Code, more formally called the "City Code on Takeovers and Mergers", contains a series of principles and rules that govern the implementation of a public offer for a company in the UK.

These include strict requirements around secrecy and discussions, announcement obligations and disclosure, the bid timetable and equal treatment of shareholders, as well as restrictions on any actions that can frustrate an offer (i.e. so-called poison pill tactics).

The Panel previously consulted on the proposed changes in April 2024. ([Read our previous Corporate Law Update on the Takeover Panel's proposal to narrow the range of companies to which the Takeover Code applies.](#))

The changes will remove from scope certain categories of company that are technically subject to the Code but where the protection and framework the Code provides are not really relevant.

The Code will continue to apply to an offer or potential offer for a company registered in the UK, Channel Islands or Isle of Man whose equity or voting securities are traded on:

- a regulated market (e.g. the London Stock Exchange or Aquis Stock Exchange Main Market);
- a multilateral trading facility (e.g. AIM or Aquis Growth); or
- a Channel Islands or Isle of Man securities exchange (e.g. the International Stock Exchange).

The Code will also apply to an offer or potential offer for an unlisted UK-registered company whose equity or voting securities were traded on any of those markets in the two years preceding the offer. (The Panel had originally proposed a period of three years.)

However, the Code will no longer apply to offers or potential offers for other unlisted companies. These include offers or potential offers for:

- public limited companies (PLCs) that are not traded on any of the markets listed above;
- companies whose securities were traded on a market more than two years before the offer or which have been traded solely on an overseas market;
- companies whose securities are or have been traded solely on a “matched bargain facility” (e.g. JP Jenkins or Asset Match), a private intermittent securities exchange system (e.g. PISCES), a private market (e.g. TISE Private Markets) or a crowdfunding platform (e.g. the Seedrs Secondary Market); or
- a private company that filed a prospectus within the ten years preceding the offer.

The Panel recognises that shareholders may have acquired securities in a company knowing that it is subject to the protections in the Code. There will therefore be a two-year transitional period before a company which falls outside the new, more limited scope of the Code ceases to be subject to the Code. This is designed to give those shareholders and companies time to adjust to the new regime.

The changes come into effect on 3 February 2025, with the two-year transitional period ending on 3 February 2027.

[Read the Takeover Panel’s response statement on narrowing the scope of the Takeover Code \(opens PDF\)](#)

New failure to prevent fraud offence to come into effect next year

The Government has published regulations that will bring the new corporate offence of failure to prevent fraud into effect from 1 September 2025.

The new offence (which is set out in the Economic Crime and Corporate Transparency Act 2023) will impose automatic criminal liability on large organisations, as well as certain subsidiary undertakings, if their associated persons commit certain fraud or dishonesty offences.

The new offence is strongly modelled on the existing strict-liability offences of failure to prevent bribery (in the Bribery Act 2010) and failure to prevent the facilitation of tax evasion (in the Criminal Finances Act 2017).

The only defence to liability arises if the organisation can demonstrate that it had “reasonable procedures” in place to prevent fraud by its associated persons, or that it was reasonable in all the circumstances for the organisation to have no such procedures in place.

The Government has published guidance on the new offence and on what it considers is required to establish “reasonable procedures”.

[Read the Government’s guidance on the new offence of failure to prevent fraud](#)

[Access the Economic Crime and Corporate Transparency Act \(Commencement No. 3\) Regulations 2024](#)

[Access the Economic Crime and Corporate Transparency Act 2023 provisions on the offence of failure to prevent fraud](#)