

Why use a nominee shareholder?

For many years it has been possible to retain an element of anonymity in respect of ownership of shares by way of the use of a nominee shareholder. However, from April 2016 the introduction of the Small Business and Enterprise Act enacted legislation that requires all UK companies to maintain a Register of People with Significant Control. This legislation was introduced to help improve the transparency of UK companies and aims to remove an element of secrecy from the use of nominees to hold shares for otherwise undisclosed beneficiaries.

Where the shareholding held by a nominee in respect of any individual is over 25% the name and personal details of the beneficial owner of the shares must be made available for the public record.

Whilst it is now a criminal offence to withhold the identity of beneficiaries of shares held by a nominee, there may be circumstances for practical purposes where such an arrangement is still required and the beneficiary is happy for his or her details to be published on the register.

It is a criminal offence to withhold the identity of beneficiaries where the rules require disclosure, and that offence extends both to the Company if it knowingly submits false or misleading information and with the individual who is the PSC.

Where the number of shares held by a nominee is 25% or less than the overall number of shares issued, there would be no requirement to enter any beneficiary details in the PSC register unless such individual qualified as a PSC under other criteria, so the use of a nominee in that scenario still therefore maintains an element of privacy.