

While there is a statutory requirement to register most forms of security granted by limited companies incorporated in the UK at Companies House, it is worth remembering that there is no statutory requirement for the holder of registered security to inform Companies House if, e.g., the debt secured by a registered charge has been satisfied.

However, for commercial reasons and good housekeeping, it is in the best interests of the company to keep its record of registered security up to date and to ensure that a Form MR04 is filed when a secured debt is satisfied in full or in part.

Once a Form MR04 has been accepted by Companies House and registered, if it notes that the debt has been paid in “full” then the charge will be marked on the register of charges as “fully satisfied”, although it is worth remembering that the filing of a Form MR04 does not release the registered charge – this requires a deed of release or memorandum from the relevant lender.

Form MR04 must include the details of the person delivering the statement, and their interest in the charge. It is usually filed by:

- The chargor (being the company)
- The chargee (being the lender)
- A third party on behalf of the chargor or chargee – for example, a solicitor or accountant

The government’s [website](#) confirms that Companies House will check each Form MR04. The examiner can reject the form if errors are found relating to the details of the charge (rather than verification details of the person who has submitted the form). Any Form MR04 that is rejected is returned to the presenter detailed in the “Presenter information” section, and if none is recorded, the rejected form will be returned to the registered office of the company.

While the Form MR04 is clear in its terms, it is not uncommon for these forms to be filed in error. The below explains how to reinstate a security on the register that has been marked as “satisfied” in error – whether in part or in full.

What Does the Form MR04 Do?

As noted above, while filing a statement of satisfaction using Form MR04 will cause the charge to be noted as satisfied, in full or in part, on the charges register of the relevant company at Companies House, it does not of itself release the underlying debt nor discharge the security agreement. This can only be achieved through a deed of release, or memorandum of satisfaction/discharge executed by the relevant creditor.

However, while the security agreement itself is not released by the filing of a Form MR04, the fact that the charges register of a company shows that a charge has been satisfied can have serious consequences if the filing was made in error, particularly because the charges register is relied on by third parties as being correct.



What Problems Might Arise?

When a registered charge is marked as satisfied in error, this can have several consequences:

- It can influence the decision-making of those looking to take security over a company's property, because they will not be able to accurately identify all existing and so prior ranking charges – potentially leading to dispute if an application to reinstate is made
- It can affect those already holding registered security who may act on the basis that their charge now takes priority – again, potentially leading to dispute
- If the creditor whose security has been released were to simply take new security and compete the required registration in relation to that new security, then this potentially has an impact on priority, and puts any new floating charge security at risk if the company were then to enter into an insolvency process within 12 months (potentially two years) (s. 245 Insolvency Act 1986 applies)
- If the company is looking to refinance, there is a risk of overlooking debt secured by charges that have been marked as satisfied, requiring an additional layer of verified diligence on the part of the creditor
- In a restructuring context, information relating to the existence of qualifying floating charge holders is imperative when appointing administrators and may lead to an invalid appointment if a charge holder is not given notice as it should have been

How Can Corrections Be Made?

Prior to the Economic Crime and Corporate Transparency Act 2023 (ECCTA), the Registrar had very limited power, and even more limited discretion, to make changes to a company's record if errors or mistakes occurred as regards the filing of any information.

It is worth noting that a Form MR04 cannot be informally corrected under s.1075 of the Companies Act 2006, which provides a form of pre-authorisation to the Registrar to correct errors in forms filed with it. Consequently, a company needs to make an application to a court (see further below) seeking an order that permits the Registrar to amend the register. However, this process does come at a cost, and takes time to complete.

Following the commencement of ECCTA on 4 March 2023, the Registrar now has power under s.1094 to make corrections or amendments to a company record "on its own motion", and there are other powers that could be used to achieve a similar outcome.

These powers support the Registrar's objectives to:

- Ensure that anyone who must deliver a document to the Registrar does so, complying with proper delivery
- Ensure that information contained in the register is accurate and that the register contains everything it ought to contain
- Ensure that records kept by the Registrar do not create a false/misleading impression to members of the public
- Prevent companies and others from carrying out unlawful activities



Court Process for Corrections to a Company Record Maintained at UK Companies House

In situations where s.1094 of ECCTA does not assist and the Registrar does not have power to reinstate the charge without a court order, the charges register can only be corrected through an application to the court.

The application to court is made by Part 8 application, which consists of a N208 form along with a witness statement. There is a court fee of £308 plus the cost of lawyers.

If the application is uncontested, then it may be dealt with on paper, with no need for disclosure or oral evidence, and the costs of the process will be kept to a minimum, but if the court wishes to clarify any matters or a third party claims that their interest is adversely impacted by the application, a court hearing will be necessary. In the case of a dispute, costs can then become expensive. There is a clear advantage to a lender of holding top ranking security, which is why there can sometimes be disputes.

The application will most likely be made by the relevant company or affected lender – although it can be made by any person interested.

If the court makes an order for rectification, a copy of the order must be sent to the Registrar at Companies House, who will then make the change to the register and reinstate the security that was marked as satisfied in error.

Conditions for Reinstatement by Court Order

The court can order the Registrar to rectify the register if it considers it just. This requires the court to be satisfied that either (a) the misstatement was accidental, inadvertent or not of a nature to prejudice the position of creditors of the company; or (b) on other grounds, it is just and equitable to grant relief.

Where there has been a genuine mistake, and third parties will not be prejudiced, the application is fairly straightforward, with the court unlikely to object to rectifying the register. However, if there is objection (such as where another creditor has registered a charge in the interim or the company objects), the application will be more difficult.

Final Points to Note

Following the first wave of ECCTA coming into force, it now appears that there are two workable options to correct the charges register of a company maintained at Companies House.

The choice of approach may depend on whether the error is the result of an honest mistake (that is where the person submitting the form was authorised to do so, but made an error in the detail, e.g. the wrong security registration code is supplied) or the result of unauthorised activity. In the latter case, the Registrar may be willing to use its new powers to make a correction on the basis that the MR04 was not correctly submitted to the Registrar in the first place.

Nevertheless, it remains critical that an erroneous filing of a Form MR04 is rectified, by whatever appropriate means, as quickly as possible to avoid complex contractual issues arising, where disputes may be costly and take a significant amount of time to resolve if left to the affected creditors and the company themselves.

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