

# Company data: The full picture for legal professionals

Following the Panama Papers scandal, introduction of the PSC register, and increasingly complex ownership structures, **Chris Bull** talks to **Roger Carson** and **Wayne Johnson** about why getting a grip on company data has never been so critical



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**T**he leak of the Panama Papers serves as a forceful reminder to corporate lawyers, to business leaders, and to professionals of the need to grasp quickly the facts of complex ownership structures and to determine ultimate beneficiaries.

The challenge starts with locating individual records: details of the company or legal entity, its directors, and its shareholders. In the UK we are fortunate to have Companies House, a single entity, managing the data, but even when dealing with a single registry, the task of unpicking complex structures is made difficult by individuals bent on obfuscation.

Wayne Johnson, co-founder of visual analytics business Encompass Corporation, notes: 'The recent opening of the people with significant control (PSC) register at Companies House is significant testimonial to the UK's commitment to transparency. Our customers will soon be able to include records from this register in their investigations and analysis.'

Obfuscation tactics include filing records using several different addresses or manipulating the structure of a company's name. Encompass Corporation's other co-founder, Roger Carson, cites the example of a recent search for an individual within a corporate structure: 'Encompass identified four similar entities but with conflicting data: two

records showed a date of birth exactly one year apart, and another record had a middle name where the original had none. While such subterfuge may seem trivial, the task of identifying all connections manually is challenging and time consuming.'

The challenge is made more difficult when ownership is found to span national boundaries and a UK-based company exists within a structure with subsidiaries and parents registered overseas.

In this particular case, Encompass revealed a director who had previously served at several failed companies and established a link, via a shared address, with another company suspected to be related to the matter.

As revealed in the Panama Papers, tracking down relevant records only marks the end of the beginning of a journey: just as time consuming is assimilating the diverse and possibly contradictory collection of records to form a cohesive picture. Carson describes this as 'similar to solving a series of large and interconnected jigsaw puzzles from pieces contained in many boxes.'

In the aftermath of the 2001 terrorist attacks, a review observed that those responsible for guarding the US lacked the tools required to make sense of signals embedded in diverse sources of information, and proposed that the work of security teams be augmented by a new class of

software capable of visual analytics. For intelligence services, this approach has proved successful.

Through Encompass, Carson and Johnson are bringing visual analytics and data aggregation technology to lawyers so they can very quickly form an understanding of sometimes highly complex legal entity data, then move on to the core value activities of preparing and presenting advice to clients.

Information research tasks that previously consumed hours, if not days, of detailed but laborious work can now be handled by software which can deliver results in minutes. Equally importantly, the software reduces the risk of overlooking important connections that can be easily missed when reading through text-based reports.

Encompass products display facts discovered at Companies House and other sources as interactive charts, similar to those we have seen recently on the International Consortium of Investigative Journalists' website ([www.icij.org](http://www.icij.org)), which can be used by legal professionals to interpret and present the important facts effectively, and to provide prompt, high-quality, informed advice.

#### Data gap

Entrepreneurs Wayne Johnson and Roger Carson can personally attest to the importance of understanding the full picture when making commercial decisions. Having started a technology company in Australia and successfully expanded their business to operate internationally, the pair sold up and entered the commercial property sector.

Unknown to them at the time, information they were given by apparently trustworthy individuals proved unreliable: individuals obfuscated their involvement in corporate entities, market values of land and property were inflated, liabilities were understated, and development schedules were found to be overly optimistic.

In court, Johnson and Carson were able to prove that fraud had been committed, but they were astounded by the arduous, time-consuming, and expensive process of pulling together the information they needed to make their case. As Carson observes: 'Just finding simple information such as "are we dealing with a person who has been previously struck off as a director?" proved costly.'

Realising that the benefits of software capable of ingesting information from diverse sources in real time, analysing the facts, and presenting a synthesised view as an interactive graphical chart were yet to reach the legal and insolvency sectors – and, more importantly, these sectors' clients – gave impetus to their entrepreneurial flair, and in

2011 the pair co-founded Encompass Corporation in Sydney.

The company's visual analytics products proved invaluable to Australian legal and accounting firms and to providers of financial services: professionals involved in mergers and acquisitions, restructuring, commercial lending, litigation, and insolvency. These firms were looking to take advantage of new sources of online information, to redesign decades-old, slow, and inefficient manual search and review processes. They wanted to apply technology where most appropriate, and to give time back to legal specialists so they could satisfy clients with their ability to respond quickly with informed advice.

As Dean Newlan, partner at McGrathNichol, observes: 'When you're in the early stage of an investigation you are constantly hypothesising, wondering, and searching. With Encompass, we can get the answers we need immediately. Sometimes, the system seems to work as fast as you are thinking.'

The company's success helped secure a partnership with SAI Global, which in October 2014 led to the risk management specialists acquiring exclusive rights to the Encompass solution in Australia. With new funds injected into their company, Johnson and Carson brought Encompass to the UK, and from May 2015, in addition to its Sydney office, the company now operates from Glasgow and London.

#### Visual analytics tools

When asked why they chose the UK to expand their business, the pair cite a number of reasons. Carson responds: 'The UK's legal services sector operates internationally and contributes strongly to economic growth.' Johnson adds: 'The UK is a centre of global commerce, and law firms play a pivotal role. However, commerce is served by other professionals, including those working in accountancy, restructuring and insolvency, and financial services. To best serve their clients, all these professionals provide their best services when they are apprised of timely and reliable information. The Encompass platform allows all professionals to take advantage of digital information, to make informed decisions, and to share their understanding with peers working in adjacent sectors and with their clients.'

The UK government is leading the world in making information collected in registries available at no charge. Both Companies House and the Land Registry are prime examples in this regard. These registries offer access to records via two technologies: either through a web interface where, for example, entering a company name will return relevant records, or through an application programming interface (API).

While the former is useful to look at a single >>



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>> record, through their experience of working with clients in the sector, Johnson understands that ‘business professionals researching a commercial matter often start with one record, find information of interest, and then request a string of additional records – we call this “building the full picture”. APIs such as those created by Companies House present an ideal solution to support this type of iterative conversation between a business professional and online information sources.’ And as an entrepreneurial software company, Encompass builds products that automatically attach to APIs, analyse information found in diverse sources, and create charts that make it simple to understand complex information, such as corporate structures and their ultimate beneficial owners.

Carson continues the story: ‘While there are many data providers, none have universal information. To illustrate using the case Wayne just discussed, a legal professional may be asked to investigate a company registered here in the UK. That company could be a subsidiary of an overseas entity. So, part of the value we bring to our customers is the partnerships we develop with multiple information providers, including those with access to overseas registers.’

### The post-LASPO world

In 2012 the Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) had a big impact on insolvency practitioners’ business, removing their ability to use after-the-event insurance and conditional fee agreements.

Recently, Encompass conducted research among lawyers and insolvency practitioners and found a resounding 100 per cent consider that changes effective from 6 April 2016 regarding the recoverability of success fees and insurance premiums reduce the number of cases where an insolvency practitioner may be able to proceed with a claim.

The majority of respondents (33 per cent) think that over 40 per cent of claims will not proceed because of a lack of available funding. Worryingly, over 80 per cent of respondents think we will witness an increase in unscrupulous or illegal behaviour by businesses as they know the risk of action being taken against them is significantly lower. Further, 88 per cent of respondents think that businesses and individuals need to take more care when entering into contracts.

In addition, the research found that 65 per cent of respondents think that the government’s plans to increase free access to data through its public data initiative, which already includes Companies House, will be a good thing for the insolvency and legal profession, as it will reduce costs.

Johnson does not suggest that technology can

solve all aspects of this problem, ‘but it can certainly help, as searches can be made quickly and effectively. It can also speed up prospecting as the lawyer will be able to quickly see how complex the case may be and therefore provide an immediate quote for the work. Our research supports this, with over two-thirds of respondents saying that technology helps facilitate an easier way to identify “hidden assets”, and thus goes some way to making claims easier to identify and to successfully pursue.’

### Productivity improvement

Since May 2015, more than 20 firms have signed up to use the technology. ‘We are finding firms with a strong appetite to improve and accelerate decision making by exploring increasingly free online sources of digital information,’ says Carson.

Another indicator of the sector’s acknowledgement of the relevance of the technology developed by Encompass is its growing list of partners. Johnson cites the relationships the company is developing with vendors of case and practice management systems: ‘These workflow applications form the operational backbone of modern legal firms. We provide an open API which makes it very simple to connect these workflows to the emerging universe of digital information. Facts about legal entities, about their structure, and about the individuals who own, control, and operate them can be discovered in government registers and other sources by Encompass, and then streamed digitally into case and practice management systems. The straight-through processing enabled by this level of integration delivers significant benefits of improved productivity and reduced risk.’

As we wrap up, Carson and Johnson emphasise two attractions propelling the adoption of Encompass and visual analytics. First, the solution meets the challenges of building compliance into business processes and proving to regulators that operations comply with their requirements. With backgrounds in financial services, Carson and Johnson were careful to include compliance in the initial design of Encompass products. As Carson observes, ‘Every action taken by our software or by its users is logged for review.’ Johnson adds: ‘Due diligence capabilities to comply with anti-money laundering regulations that we have in development will reduce the effort and cost of establishing proof points to satisfy regulators.’

Johnson’s parting words neatly sum up the other fundamental appeal to savvy law firms – Encompass is delivering on ‘the contribution that technology can make in freeing their professionals from unnecessary manual work so they spend their time where it is most valued by their clients.’ **SJ**