

New payroll accreditor vows to ‘flush out unscrupulous umbrella companies and protect workers’

November 2023: The [Payroll Compliance Authority \(PCA\)](#), a newly-formed accreditor, is leading the charge to regulate the ‘murky’ outsourced payroll industry and offer protection to recruitment companies and the UK’s approximately 800,000 workers who are paid by umbrella companies.

Lack of regulation has led to a proliferation of fraudulent schemes and activities by payroll suppliers, known as umbrella companies, including incorrect tax deductions, pay skimming, and withholding of holiday pay.

The PCA is responding to an urgent need for self-regulation to stamp out worker exploitation and protect recruitment firms from serious financial and reputational risks through a rigorous audit process and repeat annual audit checks. The accreditor also offers the opportunity for legitimate umbrella operations to demonstrate their commitment to unequivocal compliance.

Paul Newsham, CEO of the PCA, is a Chartered Accountant with more than 30 years of experience and owns a well-respected firm of Chartered Accountants in the North West.

He says: “The Payroll Compliance Authority is determined to flush out unscrupulous umbrella companies and protect workers.

“Anecdotal evidence suggests that there are between 600,000 and 800,000 UK workers across multiple sectors who are currently paid by umbrella companies. And less than a third of these are administered by payroll providers that have been properly audited by trade bodies.

“This has provided the perfect breeding ground for an array of tax-avoidance schemes to flourish that place workers and recruitment firms engaging these umbrella companies in a position of extreme risk, both in relation to HMRC and employment law.

“It is a Wild West and high time that the status quo in this sector is challenged. That is what we are here to do.”

He adds: “This is not a one-off accreditation, but an ongoing rigorous process where non-compliance has consequences, leading to suspension and ultimately removal of accreditation. This means recruiters and workers can be certain that a PCA-accredited company is fully compliant. Our model is adaptable, so that we can reflect HMRC changes when they come into play.

“We will also set up a whistleblowing line in the future, so that agency workers can report any fraudulent umbrella activities in a completely anonymous way.”

The PCA is independent and the only not-for-profit accreditor in the field, offering law-abiding payroll companies an avenue to honest and trusted business through a rigorous audit process, carried out independently by global accounting firm, [PwC](#).

Fraudulent schemes in the assignment-based contractor supply chain have been identified across numerous industries, including healthcare, education, and construction. It can be difficult to distinguish rogue providers from legitimate operations, both for workers and recruitment firms. This

is the case even where due diligence has been carried out. Such activities are also harmful to the reputation of bona fide payroll providers, tarnished by association.

Olivia Spruce, Director on the PCA Board and CEO of specialist healthcare recruitment consultancy, Positive Healthcare, says: “I have many times sifted through umbrella companies to identify which ones are above board, and this should not be the responsibility – or risk - of the recruiter or worker.

“Payroll companies provide a crucial service, but employers and workers need to know they can trust the payroll firm they engage, without worrying that HMRC may come knocking down the line.”

Olivia Spruce has more than 20 years of recruitment experience within the construction, property, and healthcare sectors.

She adds: “The PCA is about setting a new gold standard in what has become a murky market and challenging this unacceptable norm.

“Umbrella firms with the PCA green tick have been thoroughly audited to ensure they are transparent, ethical, and a truly legitimate payroll firm. As someone who runs a recruitment company, I know the positive impact that this will have on the industry.”

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About the PCA

The [Payroll Compliance Authority](#) (PCA) is a not-for-profit organisation providing a benchmark accreditation by which to identify compliant payroll companies operating within the assignment-based contractor supply chain. Commonly referred to as 'umbrella' companies, these businesses typically utilise a variety of payroll models to calculate the take-home pay of workers whilst also adopting the position of their employer.

For their Members, the PCA ensures that these payroll models are administered in accordance with all employment legislation and taxation guidelines via a forensic assurance audit of a company's organisational structure, internal processes and financial procedures independently conducted by one of the 'big four' accountancy firms. Upon successful passing of the audit, payroll companies can promote their business under the PCA imprimatur and align themselves with the aspirations, values and culture of the PCA. Workers and employers can engage these payroll companies assured of their compliance.