



APPG on
**Anti-Corruption
& Responsible Tax**

Losing our moral compass

Corrupt money and corrupt politics

June 2023



Dame Margaret Hodge MP

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About the APPG on Anti-Corruption and Responsible Tax

The All-Party Parliamentary Group on Anti-Corruption & Responsible Tax is a unique campaigning organisation. With strong cross-party support in Parliament, it works to influence the political debate and deliver real world change. The APPG develops and advocates policies which promote fair taxation and put a stop to corruption and economic crime.

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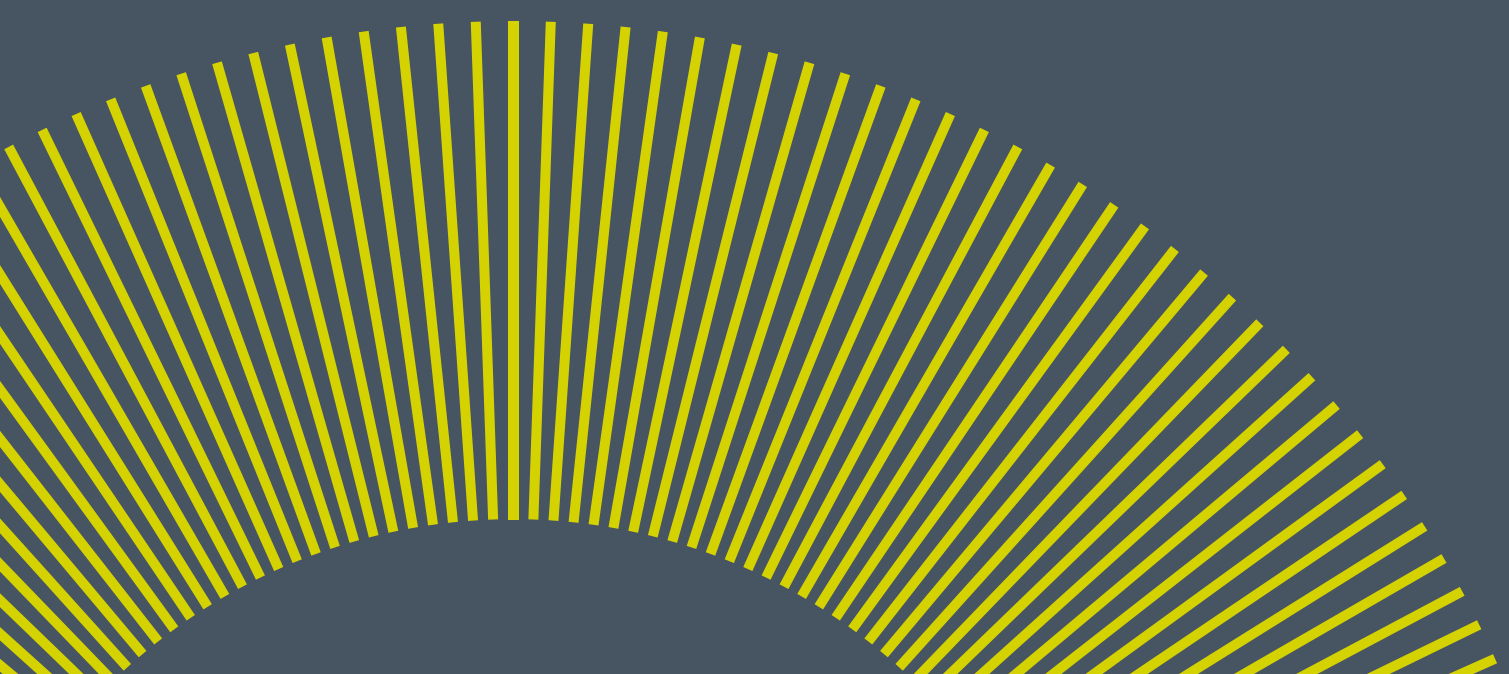


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Foreword

June 2023

Last year, I published this paper - Losing our Moral Compass: corrupt money and corrupt politics - in partnership with King's College London. It examines the damaging impact of financial malpractice, corruption and economic crime on Britain's economy. It then outlines how this wrongdoing is creeping into our political domain, with devastating consequences. Finally, I set out a series of recommendations for reversing this concerning trend.

I have been a parliamentarian for nearly 30 years, and I have been an elected representative for almost 50 years. Throughout much of this time, cronyism and corruption had always existed, but on the fringe. And yet, over the past decade, I have looked on as this foul play has flourished, become much more sophisticated and entered the mainstream. Since writing, this wayward drift has continued almost entirely unchecked and it shows no sign of letting up.

Shortly after publication last year, King's College London felt compelled to withdraw the paper.

Why? Because a wealthy businessman, Mohamed Amersi, threatened legal action against us concerning passages in the paper. Amersi is briefly mentioned in this paper due to his name appearing in the Pandora Papers leak, although he denies any wrongdoing. At the same time, Amersi is an influential figure in the world of politics and philanthropy, having made large donations to the Conservative party and charitable causes in Britain. Amersi has used the threat of costly legal action to suppress debate on this issue. Amersi's lawyers have described the passages that refer to him as "highly inflammatory", and they have since demanded that the references be either changed or removed altogether. His lawyers have also demanded an apology.

This attempt to remove important information from public view is a textbook example of Strategic Lawsuits Against Public Participation, more commonly referred to as 'lawfare'. Here, an individual with deep pockets can use British lawyers and courts to suppress the publication of information which is clearly in the public interest. This is done in the full knowledge that lengthy legal battles will likely bankrupt politicians, journalists, academic institutions and others who want to call individuals, corporations and foreign governments to public account.

Mohamed Amersi is not alone. Russian oligarchs, businessmen and kleptocrats the world over are increasingly turning to 'lawfare' tactics to evade public scrutiny and silence critics. This entire saga is yet another illustrative example of how money may buy access to politicians, influence on public policy and silence on matters clearly in the public interest.

Parliamentary privilege has allowed me to set the record straight and ensure that this paper is once again published - without alteration. All references to Mohamed Amersi are now based on remarks made by the Rt Hon David Davis MP in a debate in the House of Commons that is subsequently recorded in Hansard and which can be consulted in full.

Of course, some of the examples in this paper are now outdated. After all, we have had two Prime Ministers since I first published this paper. We've also had the devastating war in Ukraine, which has shone a spotlight on the extent to which Russian dirty money has infected our economy. Since the conflict began, the Government has introduced two new pieces of legislation to combat the rising tide of economic crime. Both are much-needed tools in the campaign to push back against dirty money; and represent significant progress on corporate transparency, challenging bad actors, and our ability to uncover illicit wealth.

But much still remains to be done. These two new laws frustratingly contain many loopholes and new legislation alone will not be sufficient to bear down on dirty money. What we need is tough enforcement, greater transparency and appropriate accountability to Parliament - which means we need to completely shift our approach and culture towards ill-gotten gains, whether originating from Russia or anywhere else in the world.

This paper is still very much relevant today. It shows that we are indeed at risk of losing our moral compass as a country unless we push back against what has become commonplace cronyism and corruption. This paper lifts the lid on the scale of the problem, without fear or favour. I hope it can now play a small part in defeating this problem.

Introduction

Britain has long prided itself on being a trusted jurisdiction that is governed by the rule of law and demonstrates consistent high standards of integrity, propriety and good governance. Those traditional and precious high standards are now being eroded. Our lax regulatory regime, our network of tax havens and our failure to effectively police UK laws have turned us into the jurisdiction of choice for too many tax avoiders, kleptocrats and criminals. The global reputation for financial integrity that we nurtured through the decades is being squandered as our corporate structures, our booming property market, and our army of enablers in the successful financial services sector serve to facilitate corruption, the financing of terrorism and money laundering.

That culture of deregulation and light-touch enforcement that has enabled financial malpractice to flourish is now seeping into the public and political domain. There has always been some malpractice on the fringes of politics. Harold Wilson's legacy was blighted by what became known as the "Lavender List" of honours announced when he resigned as Prime Minister in 1976.¹ He included a peerage for Joe Kagan – an industrialist who manufactured Gannex raincoats in Wilson's hometown of Huddersfield and funded Wilson's private office – but was later convicted of fraud and imprisoned. And he gave a knighthood to Eric Miller who later committed suicide while he was being investigated for fraud.²

Those acts of cronyism badly undermined the reputation of a Prime Minister 50 years ago. But today they seem trivial when set against the corrosive culture that is tolerated in contemporary politics and the public realm. Unlike the past, cash for honours passes almost without consequence. Unacceptable behaviour is in danger of becoming commonplace. Improper practices have mushroomed throughout the pandemic: dubious public appointments; an inappropriate revolving door between government and business; cash for honours, access, influence, and power; and highly questionable and lucrative contracts for allies. We seem to have entered an age of impunity. These disturbing trends in the financial sector and the public domain are not just coincidental, they are linked: corrupt money can corrupt politics. The systems, the weak regulatory framework, the people and the culture involved in illicit finance are all having a corrosive influence on what takes place in the public domain. Bad behaviours that are present in our economic sphere are emerging with greater regularity in our politics and our public sphere.

There is, of course a spectrum of behaviour that exists both in the financial and the public spheres that takes us from what is reasonable and tolerable to what is wrong and unacceptable. Buying an ISA each year is generally regarded as acceptable tax planning. However, moving

1 Stephen Ingle, 'Labour's Love Lost' in Rush M., Giddings P. (eds) *The Palgrave Review of British Politics 2006* (Palgrave Macmillan, London, 2007).

2 Michael White, 'Cameron is not the first to have pushed his luck with an honours list' *The Guardian*, 2016, <https://www.theguardian.com/politics/blog/2016/aug/01/david-cameron-not-first-push-luck-resignation-honours-list>

along the spectrum and using complex financial structures for no other purpose than to avoid tax – though deemed lawful – is viewed as unfair and immoral by most people. Those legal but immoral practices readily morph into unlawful behaviours that constitute tax evasion. That in turn can translate into financial crime, such as money laundering, which sits at the heart of more vicious misdeeds, like drug smuggling, human trafficking, and corruption. And that can start to infect the public domain.

For instance, politicians and policymakers should and do turn for advice and support to those with professional expertise and experience when they consider issues. Talking to relevant stakeholders when you are deliberating policy options is sensible practice. However, when that transforms into giving those with particular interests undue influence, inappropriate access to power, and in the end personal financial benefit – through regulatory change, appointments or contracts funded by the taxpayer – we have shifted across the spectrum of behaviours into practices that are not just wrong but can be deemed corrupt. And as people learn that knowledge, cronyism or money can secure you advantage, more engage in such activity and more corrupt practices spread from the margins to the mainstream of our public sphere.

In October and November 2021 there was uproar when Owen Paterson, until very recently a senior Conservative MP who had served as a Minister,³ was found by the Commissioner for Standards and the relevant Parliamentary committee to have been responsible for an “egregious case of paid advocacy” when working for two companies that employed him as a consultant.⁴ Paterson strongly disagreed with the findings and the Government decided to try to protect him by changing the rules retrospectively to exonerate the MP.⁵ The Government has since backtracked and will consider stopping MPs being employed as consultants or lobbyists.⁶ But not before former Conservative Prime Minister Sir John Major said that he believed much of what Boris Johnson’s government was doing was “perhaps politically corrupt”.⁷ Around the same time the chair of the Committee on Standards in Public Life and former head of MI5, Lord Evans, said that the UK could “slip into being a corrupt country”.⁸ Further allegations of financial impropriety against MPs and Ministers have emerged that have rightfully led to outrage from the press and the public. What we are witnessing is a slipping of standards and the erosion of integrity across our public life. One can only hope these recent scandals represent a tipping point and become the moment that, with robust and proportionate reforms, could lead to a restoration of trust in our politics.

3 Gov.UK, ‘The Rt Hon Owen Paterson MP,’ <https://www.gov.uk/government/people/owen-paterson>

4 House of Commons Committee on Standards, Third Report of Session 2021-22: Mr Owen Paterson, 2021, p. 48.

5 Felicity Lawrence, David Pegg and Rob Evans, ‘Lobbying for “naked” bacon: how the Owen Paterson scandal began,’ The Guardian, November 2021, <https://www.theguardian.com/politics/2021/nov/05/lobbying-for-naked-bacon-how-the-owen-paterson-scandal-began>

6 BBC News, ‘Owen Paterson row: Government U-turn over MPs’ conduct plan’, November 2021, <https://www.bbc.co.uk/news/uk-politics-59163961>

7 George Parker, ‘John Major attacks ‘politically corrupt’ Johnson government’, Financial Times, 6 November 2021, <https://www.ft.com/content/1b4003fa-b179-4063-bfcb-2ee224b7a3fc>

8 Rachel Wearmouth, ‘Britain could “slip into being a corrupt country”, ethics chief warns amid Tory sleaze row’, Mirror Online, November 2021, <https://www.mirror.co.uk/news/politics/uk-could-slip-becoming-corrupt-25377178>

In this paper, I aim to demonstrate how financial and political behaviours across a spectrum of wrongdoing have developed and grown in Britain. We have become a place that is seen to facilitate and tolerate both tax avoidance and financial crime. I will further argue that financial corruption has now infected our politics and public life. In part, this has occurred because the fragile pillars that act as a check on the executive and protect the integrity of our democracy have been undermined. That has enabled unacceptable practices to grow unchallenged and has seen standards slip in our public life. We have lost our moral compass; taxpayers' money is being wasted and misused to the detriment of our public services; and we are in danger of forfeiting our international status as a trusted jurisdiction.

These trends could be halted and reversed through action on four fronts. We must insist on greater transparency. That would allow us to better follow the money in the financial sector and expose our decision-making to scrutiny in the public sector. We need to reinforce the pillars of accountability that support our democracy – from an independent judiciary and civil service to a powerful Parliament and robustly independent media. We need to strengthen the financial and constitutional regulatory framework to prevent and punish financial crime and to prevent and punish corrupt behaviour in the public domain. Finally, we need to enforce and police our systems more effectively. The Government and the executive need to be energetically held to public account. The financial services sector, individuals and corporations need to be vigorously policed by properly funded and supported regulatory agencies tasked with the role. The reforms to our financial services and in our constitutional arrangements involve pursuing the same principles. In short, transparency is vital; we need tough regulation; that regulation needs to be strongly policed and enforced; and proper accountability needs to be established in our protocols and processes.

Recommendations (in short)

Transparency

1. Reforms to strengthen integrity and restore trust in our politics by overhauling and expanding **transparency in public life**.
2. Public registers of beneficial ownership must be faithfully implemented in the **Overseas Territories and Crown Dependencies** by 2023.
3. The Government must bring forward its promised legislation for a public register of the overseas beneficial owners of UK property.
4. The **procurement reform** process being undertaken by the Government must be completed and strengthened.
5. A transparent register of the beneficial owners of UK **land** and an open register for **trusts** should be explored.

Regulation

1. The long-awaited **Companies House reforms** must be urgently implemented.
2. Tougher and more effective regulation of the **financial services industry** is needed.
3. Regulation of **Trust and Company Service Providers** should be strengthened and overseas providers banned from incorporating companies in the UK.
4. Overhaul the Money Laundering Regulations Regulations and the Office for Professional Body Anti-Money Laundering Supervision (OPBAS).
5. The Government should **strengthen the powers** and authority of the **Electoral Commission** rather than weaken it.
6. Crack down on **lobbying** and the **revolving door** between the public and private sectors.

Enforcement

1. Reform the **offence of misconduct in public office** as recommended in recent Law Commission proposals.
2. The Treasury must properly **resource** and **equip** the enforcement agencies.
3. Our outdated and ineffective **corporate liability** laws must be reformed.
4. Facilitate tougher enforcement by implementing **financial caps on fees** for which government agencies might be held liable when prosecuting financial crime.

Accountability

1. Reform the Ministerial code.
2. Reform the role of the Independent Adviser on Standards.
3. Reassert and **strengthen the independence of Parliament** so that its role in holding the Government to account is reinvigorated.
4. Reform governance and standards within the **Civil Service**.
5. Protect and enhance the role of the **judiciary** and the **press** in maintaining checks and balances on the power of the Government .

Part one: The “spectrum”

I have long argued that there is a spectrum of egregious financial conduct, ranging from immoral to illegal behaviours. From tax avoidance to tax evasion to economic crime, the connections are clear. Now, for the first time, I will argue that political corruption has become part of this continuum.

The spectrum explained

There is a whole continuum of issues that the UK must address if we really want to create a fair tax regime and systems that minimise corruption and prevent and punish financial crime. We must recognise that we will never enjoy sustainable economic prosperity on the back of dirty money, especially while wrongdoers aim to enrich themselves using dubious or illegal means at the expense of others. Often there are direct victims from these behaviours, such as those conned out of their hard-earned money through fraud. But one must never forget the reality that, as taxpayers, we are all the victims. And globally, the poorest communities in the poorest countries lose the most. This comes from the “spectrum” of immoral or illegal financial behaviours.

The world of tax is purposefully kept shrouded in technical jargon and complexity by a small number of gatekeepers – the tax advisers and tax professionals. Consequently, there is limited understanding and many misconceptions about tax and tax avoidance. Yet there really shouldn’t be, as tax belongs to us all. How public money is raised, who pays tax, how much they pay, and how taxpayers’ money is spent is something that we should all understand and care about in a healthy democracy. The fundamental principles are simple: most of us pay our taxes, unquestioningly, to the Government and they use the money on our behalf to fund our vital public services, our infrastructure, and our national security. The payment of tax is at the heart of the social contract.

Tax avoidance, the first part of our spectrum breaks that contract. It is defined by HMRC as “bending the rules of the tax system to gain a tax advantage that Parliament never intended... often involv[ing] contrived, artificial transactions that serve little or no purpose other than to produce this advantage.”¹ That is how tax avoidance differs from legitimate tax planning, where individuals may pay less tax because they use a scheme that Government introduced to encourage certain behaviours. So, for example, Individual Savings Accounts (ISA), were launched to encourage saving and the Government deliberately created a tax advantage for those who bought an ISA.

One common misconception about tax avoidance is that it is always legal while tax evasion is illegal. Tax professionals try to create a distinction between avoidance schemes that are found to be unlawful and those that are illegal from the outset, in my view a spurious distinction that is

1 HMRC, ‘Tax avoidance: an introduction,’ 2016, <https://www.gov.uk/guidance/tax-avoidance-an-introduction>

difficult to understand and justify. By existing outside what lawmakers intended, tax avoidance takes place in the grey area between what is lawful and what is not.² The investigative thinktank TaxWatch argues that tax avoidance is frequently a type of fraud and most of it is, in fact, unlawful. They offer an alternative definition which succinctly captures this complexity:

“Tax avoidance is an abuse of the tax system, a deliberate attempt to get out of an obligation to pay tax by entering into a set of artificial financial arrangements which have little or no commercial purpose other than the reduction of a tax bill. Tax avoidance is unethical in that it seeks to undermine tax law and public policy. It frequently is found to be unlawful.”³

Yet although tax avoidance is often unlawful, those guilty of practising it rarely face criminal proceedings. This is because the relevant criminal offence, “cheating the public revenue” is extremely difficult to prove in avoidance cases where, however outlandish the avoidance scheme, the taxpayer can claim that they were honestly following professional advice and the professional advisers can claim they were giving an honest opinion.⁴ This reinforces the misbelief that there is a clear binary distinction of legality and illegality between avoidance and evasion. The reality is much more complex and reflects how each phase on our spectrum is often blurred with the next.

Tax evasion is the second phase on our continuum. While debates on the nature of tax avoidance will rage on, there is a clear consensus on tax evasion: it is against the law. In a briefing paper on evasion, HMRC defines it as a “deliberate attempt not to pay the tax which is due. It is illegal. We will pursue those who engage in evasion, with serious consequences for those who don’t pay all the tax they owe, from financial penalties to criminal conviction and imprisonment.”⁵ However, very few cases are in practice prosecuted, as HMRC prioritises revenue collection over costly (and potentially unsuccessful) criminal prosecutions.⁶ Unlike the Department for Work and Pensions which vigorously pursues potential wrongdoers, HMRC’s focus on revenue collection inevitably weakens the action it takes against miscreants.⁷

The next stop on our spectrum is economic crime. This category is made up of a broad range of illegal activities related to finance or money. The Crown Prosecution Service’s *Economic Crime Strategy 2025* states that the purpose of these crimes is to “unlawfully obtain a profit or advantage for the perpetrator or cause loss to others.”⁸ Here in the UK we are particularly

2 Tax Justice Network, ‘Is tax avoidance legal? How is it different from tax evasion?’ August 2021, <https://taxjustice.net/faq/is-tax-avoidance-legal-how-different-from-tax-evasion/>

3 Tax Watch UK, ‘What is Tax Avoidance?’ August 2021, https://www.taxwatchuk.org/tax_avoidance_definition/

4 All-Party Parliamentary Group on Anti-Corruption and Responsible Tax, ‘Ineffective tax avoidance: targeting the Enablers,’ <https://static1.squarespace.com/static/5e4a7793b0171c0e2321f308/t/5f90347d3e827c08d710bf2d/1603286142668/targeting-the-enablers-of-tax-avoidance.pdf>

5 HMRC, ‘Issue Briefing: Tackling tax evasion,’ January 2014, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/271776/HMRC_issue_briefing_-_tackling_tax_evasion.pdf

6 HMRC, ‘HMRC’s criminal investigation policy,’ July 2021, <https://www.gov.uk/government/publications/criminal-investigation/hmrc-criminal-investigation-policy>

7 TaxWatch, ‘Equality before the law? HMRC’s use of criminal prosecutions for tax fraud and other revenue crimes. A comparison with benefits fraud,’ February 2021, https://www.taxwatchuk.org/wp-content/uploads/2021/02/Equality_Before_The_Law_FINAL.pdf

8 Crown Prosecution Service, ‘Economic Crime Strategy 2025,’ March 2021, <https://www.cps.gov.uk/publication/economic-crime-strategy-2025>

vulnerable to these types of crimes. According to the Government's own *Economic Crime Plan, 2019 to 2022*, that vulnerability is caused in the UK by our "standing as a global financial centre, the ease of doing business, [the] openness to overseas investment, [and] status as a major overseas investor and exporter."⁹

There are many types of economic crime. Examples include, but are not limited to, fraud, bribery, and money laundering. According to the CPS, fraud is "the act of gaining a dishonest advantage, often financial, over another person."¹⁰ It is now the most frequent crime committed in the UK, with 3.4 million incidents reported in 2016-17.¹¹ Meanwhile, bribery according to the 2010 Bribery Act is the promising or giving of an advantage, financial or otherwise, to "induce" or "reward" a person for "improper performance".¹²

Finally, money laundering is "the process by which criminal proceeds are sanitised to disguise their illicit origins."¹³ According to the NCA, money laundering costs the UK economy £100 billion annually, undoubtedly a conservative estimate.¹⁴ Not only is money laundering itself a crime, it is also a facilitator of other more heinous crimes.

From drug smuggling to human trafficking, arms dealing to financing terrorism, or fraud to corruption – the wrongdoers behind those crimes launder money to legitimise their ill-gotten gains in order to be able to spend it. Money laundering sits right at the heart of not just all economic crime, but of terrible crimes altogether. For the purposes of this paper, money laundering will be the primary focus in terms of economic crime on our spectrum.

Now, for the first time, I will argue that corruption in the political and public sphere is emerging as the final stage on this continuum. Transparency International defines corruption "as the abuse of entrusted power for private gain."¹⁵ They add that "corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social division and the environmental crisis."¹⁶ U4, an anti-corruption research institute, builds on this definition and places corruption into two categories. "Grand corruption" takes place in the highest echelons of the public or private sectors while "petty corruption" is the "everyday" wrongdoing at the meeting point between citizens and public institutions.¹⁷

Corruption fits less neatly into the spectrum than the other earlier steps. Yet the links from economic crime to corruption are, in the simplest terms, increasingly apparent.

9 HM Treasury, 'Economic Crime Plan, 2019 to 2022,' May 2021, <https://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022/economic-crime-plan-2019-to-2022-accessible-version>

10 Crown Prosecution Service, 'Fraud and economic crime,' August 2021, <https://www.cps.gov.uk/crime-info/fraud-and-economic-crime>

11 National Crime Agency, 'Fraud,' August 2021, <https://www.nationalcrimeagency.gov.uk/what-we-do/crime-threats/fraud-and-economic-crime>

12 Legislation.gov.uk, 'Bribery Act 2010,' 2010, <https://www.legislation.gov.uk/ukpga/2010/23/section/1>

13 Crown Prosecution Service, 'Fraud and economic crime.'

14 National Crime Agency, 'National Economic Crime Centre leads push to identify money laundering activity,' August 2021, <https://nationalcrimeagency.gov.uk/news/national-economic-crime-centre-leads-push-to-identify-money-laundering-activity>

15 Transparency International, 'What Is Corruption?' 2021, <https://www.transparency.org/en/what-is-corruption#>

16 Ibid.

17 U4: Anti-Corruption Centre, 'Basic guide to anti-corruption,' 2021, <https://www.u4.no/topics/anti-corruption-basics/basics>

For example, dirty money laundered in London but stolen from citizens by a public official in another jurisdiction is grand corruption.¹⁸ If that laundered money is then linked to public and political activity in the UK, the relationship is established. Economic crime can become linked to political corruption because without the necessary democratic or regulatory checks and balances, the economic sphere can corrupt the political one. In the third section of this paper, I will explore that relationship further. I will argue that the UK is shifting from a facilitator of corruption elsewhere in the world, to a jurisdiction where corrupt behaviours are also beginning to flourish here in their own right. Corrupt or dirty money has a corrosive effect on standards in public life. And as standards slip in one sphere, trust and integrity fall across the board.

I am not arguing that there is a simple causal relationship between each phase of the spectrum. One does not necessarily lead directly to the other; a rise in tax avoidance evidently does not cause a corruption scandal in Westminster. However, tax is avoided or evaded through the very same mechanisms by which money is laundered. Whether that is offshore tax havens, shell companies, networks of enablers, or corruptible institutions. These are the “glue” that bind together the dubious financial behaviours on our spectrum. That is why each phase is connected with the other phases and, the more each of these immoral or illegal behaviours is allowed to happen, the more the others will flourish. Through a combination of our network of tax havens, our weak laws, ineffective regulations, under-funded enforcement and poor accountability, each element of the spectrum grows interdependently of one another. In the next part of this report, I will argue that is why Britain has become a global hub for dirty money and financial crime. But first we must go back a decade to how I got into the fight against tax dodging.

Once upon a time...

My journey campaigning against tax avoidance and dirty money began when I was the Chair of the Public Accounts Committee (PAC) from 2010 to 2015.¹⁹ The role of the PAC is to scrutinise public expenditure and hold the Government of the day to account on value for money. It is frequently cited as one of, if not the, “most powerful” committees in Parliament.²⁰ When my committee first started to look at effectiveness and fairness of the UK tax system, it became clear that revelations that initially shocked us, in fact reflected common practice amongst large corporations and wealthy individuals.

It was allegations in Private Eye that first caught our attention. They alleged that there had been a sweetheart tax deal struck between HMRC and Goldman Sachs.²¹

Striking deals on tax with wealthy individuals and large corporations was then the order of

18 Transparency International, ‘Corruption And The UK: Dirty Money,’ 2021, <https://www.transparency.org.uk/corruption-and-uk/Dirty%20Money>

19 Mark Sands, “Margaret Hodge to step down from Public Accounts Committee chair”, Money Marketing, May 2015, <https://www.moneymarketing.co.uk/news/margaret-hodge-to-step-down-from-public-accounts-committee-chair/>

20 Z. Hoque, Making Governments Accountable: The Role of Public Accounts Committees and National Audit Offices, (Taylor & Francis, London, 2015).

21 Rajeev Syal, “Revealed: ‘sweetheart’ tax deals each worth over £1bn”, The Guardian, April 2015, <https://www.theguardian.com/politics/2013/apr/29/sweetheart-tax-deals>

the day, first encouraged when Gordon Brown was Chancellor, on the basis that it was the quickest and most painless way of getting something into the public coffers from the powerful corporations.²² But, of course, it offended the principle that everybody should be treated equally by HMRC. Most people have no choice but to pay their tax: it is claimed that 85% of the UK public pay their income tax through the PAYE system.²³ It was and remains deeply odious to most people to learn that wealth and power can buy you preferential tax treatment.

Our public hearings of Google, Starbucks and Amazon showed that tax avoidance among multinational companies was rife.²⁴ Indeed, creating complex corporate or financial structures that served no purpose other than to avoid tax was seen as clever and cool business practice by both tax professionals and the leaders of major companies. The loopholes in both domestic and international tax law were ruthlessly exploited in a culture where aggressive tax avoidance was celebrated.

There was no shame in Amazon placing their server in Luxembourg, so that when a UK customer bought an Amazon product the sale was recorded there, a jurisdiction where the company had struck an advantageous deal which meant that they paid very little tax.²⁵ Similarly, a company buying advertising from Google in the UK found that their account was settled in Ireland, with Google's profits being exported from Ireland, through Holland then finally to Bermuda.²⁶ While Starbucks claimed to buy its coffee beans in Switzerland and charged its UK outlets a 20 per cent mark-up, the coffee beans never found their way into Switzerland.²⁷ The mark up enabled their UK profits to be exported to this low tax jurisdiction, meaning tax payments here were negligible.

Clever accounting practices mean that corporations simply do not log transactions here in the UK where they have clearly undertaken their economic activity and earned their profits. By deliberately organising their finances to avoid tax, they ignore and break the established social contract under which we all – based on our income, wealth or profits – contribute to the common pot for the common good. Yet these companies are all dependent on the services funded by the taxpayer's pound. They still expect public investment in our transport infrastructure, our fast broadband, and our healthy and educated workforce.

Further hearings by the Public Accounts Committee with a so-called “boutique tax adviser”, whose clients were all high net worth individuals, brought astonishing disclosures into the public domain. The individual openly admitted that he was in the business of tax avoidance.

22 Margaret Hodge, *Called to Account: How Corporate Bad Behaviour and Government Waste Combine to Cost Us Millions*, (Little, Brown, London, 2016), p. 60.

23 Thomas Pope and Tom Waters, 'A Survey of the UK Tax System', Institute for Fiscal Studies, November 2016, p. 11, <https://ifs.org.uk/bns/bn09.pdf>

24 Public Accounts Committee, Session 2012-13: Minutes of Evidence HC716, December 2012, <https://publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/716/121112.htm>

25 Ibid.

26 Ibid.

27 Ibid.

He would market aggressive avoidance schemes for years until HMRC caught up with him, found the schemes to be unlawful, and then his clients might face a backdated tax demand while he got away scot-free.²⁸ From trading in second-hand cars to exploiting the tax relief introduced to encourage the UK film industry, these schemes created artificial and unlawful structures where the sole purpose was avoiding tax. But this behaviour was not limited to the odd, rogue entrepreneur.

In 2015 there was a tranche of data leaked by a French computer analyst who had worked for the Swiss branch of HSBC's private bank. The branch housed accounts for over 100,000 clients and 20,000 offshore companies. The data was given to the International Consortium of Investigative Journalists (ICIJ).²⁹ Britain featured prominently: in terms of the cash involved we were second on the list of 10 top countries implicated; in terms of clients we came third.³⁰ The allegations arising from the data pointed not only towards aggressive tax avoidance, but to what appeared to be clear incidents of illegal tax evasion too.

The Public Accounts Committee saw documents that showed the owner of a popular West End restaurant withdrawing five million Swiss francs in cash on one day. Evidence of HSBC clients using bank cards to smuggle money into the UK. Evidence of the bank's employees helping clients hide their inherited wealth from the UK tax authorities. And evidence of a scheme devised to set up secret accounts offshore to avoid tax obligations that came with a new EU directive. HSBC employed the services of Mossack Fonseca in Panama to set up these financial structures, a firm that later became notorious through the Panama Papers.³¹

The HSBC leaks were published in the media in 2015, but they had been given to HMRC in 2010. Yet no action had been taken by our tax authorities against anybody in those five years. Indeed, before the information became public, but after it had been handed to HMRC by the whistleblower, our tax authorities signed an Anglo-Swiss agreement with the bank, where they specifically provided assurance against criminal investigation. The agreement included the following: "it is highly unlikely to be in the public interest of the United Kingdom that professional advisers, Swiss paying agents and their employees would be subject to a criminal investigation."³² The man who signed that agreement, Dave Hartnett, was Head of Tax at HMRC.³³ He must have seen the cache of leaked documents and he certainly held a meeting with HSBC within days of the data landing in HMRC. Later, within six months of leaving HMRC under a cloud because of evidence he had given to Parliament on the sweetheart deal with Goldman Sachs, Hartnett accepted an appointment with HSBC.³⁴ A prime example of the use and abuse of the revolving door between the public and the private sector by individuals.

28 Public Accounts Committee, Session 2012-13: Minutes of Evidence HC788, February 2013, <https://publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/788/121206.htm>.

29 International Consortium of Investigative Journalists, "Swiss leaks", 2015, <https://www.icij.org/investigations/swiss-leaks/>.

30 Hodge, Called to Account, p. 139.

31 Will Fitzgibbon, "The fall of Mossack Fonseca", International Consortium of Investigative Journalists, June 2018, <https://www.icij.org/investigations/panama-papers/new-panama-papers-leak-reveals-mossack-fonseca-chaotic-scramble/>.

32 HM Government, 'Side letter of the competent authority of the United Kingdom on criminal investigation,' March 2012, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/356886/letter-hmrc.pdf.

33 Hodge, Called to Account, p. 65.

34 James Moore, 'Former HMRC boss Dave Hartnett forced to defend new job – with HSBC,' The Independent, March 2015, <https://www.independent.co.uk/news/business/news/former-hmrc-boss-dave-hartnett-forced-defend-new-job-hsbc-10129195.html>.

When the data was placed in the public domain in 2015, my committee learned that HMRC had information on 3,600 UK citizens with accounts at the Swiss branch.³⁵ They traced 3,200 of them and told us that about one third of the people they traced gave cause for concern. HMRC whittled that down to 150 cases that were being considered for criminal proceedings. In the end only one individual was charged in the UK.³⁶ Other jurisdictions, such as France and the US, pursued HSBC and the tax evaders far more vigorously.³⁷

In the meantime, the Chair of HSBC's Audit Committee was Rona Fairhead, who had risen professionally to become Chief Executive of the Financial Times Group. She was also Chair of the BBC and had just been awarded a CBE. Fairhead was responsible for overseeing the Swiss branch of HSBC, but she chose to blame the frontline staff and the whistleblower – whom she described as a thief – for the bank's wrongdoing.³⁸ However, the prevailing culture meant that this attitude and behaviour was not considered a problem by the Government. In 2017, she was elevated to the House of Lords and appointed as a Minister of State in the Department for International Trade.³⁹ HSBC's response to this bad publicity was to threaten to withdraw advertising from the media outlets that reported the scandal. Peter Osborne, the *Telegraph's* chief political commentator, resigned from the paper, when he discovered that they were not covering the HSBC Swiss story, because they feared the loss of income from advertising.⁴⁰ This example reflects the blurred lines between the financial world and the public and political one that lie at the heart of this paper.

The Chief Executive of HSBC at that time, Stuart Gulliver, became the boss after the leak occurred, but his personal choices about his own finance displayed an acceptance of behaviour which reflected the values and standards of the powerful elite that run Britain. Although he was British born, with children at school in the UK, he took advantage of non-domiciled status and hid his own money in an offshore fund in Panama, created – again – by the infamous Mossack Fonseca.⁴¹

35 Hodge, *Called to Account*, p. 152.

36 HMRC, 'Statement by HMRC on tax evasion and the HSBC Suisse data leak,' February 2015, <https://www.gov.uk/government/news/statement-by-hmrc-on-tax-evasion-and-the-hsbc-suisse-data-leak>

37 BBC, 'Ricci heiress convicted of tax fraud', April 2015, <https://www.bbc.co.uk/news/world-europe-32282419>

38 Public Accounts Committee, 'Oral Evidence: Tax avoidance and evasion: HSBC HC 1095,' March 2015, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/tax-avoidance-and-evasion-hsbc/oral/18507.html>

39 Gov.UK, "Baroness Fairhead CBE", <https://www.gov.uk/government/people/rona-fairhead>

40 Peter Osborne, 'Why I have resigned from the Telegraph,' Open Democracy, February 2015, <https://www.opendemocracy.net/en/opendemocracyuk/why-i-have-resigned-from-telegraph/>

41 Hodge, *Called to Account*, pp. 154-155.

It was Jesse Norman, then a member of the Treasury Select Committee, who said of him:

“It is perfectly clear that Mr. Gulliver is an example of a certain kind of posture, which my colleague Mr Kane described as being at the outer limits of aggressive tax avoidance. That is to say someone who is able to pursue his life in this country for twelve or thirteen years so far, potentially twenty years or more in total, able to enjoy the benefits of living in this country, able to use a house, kids go to school here, all the benefits of that, and yet be resident in Hong Kong, non-domed to Hong Kong by the end of that time for forty years plus. So my question is this: how on earth can this be allowed to happen? Why isn't this a tremendous indictment of the non-dom rules that you have? How is someone like Mr. Gulliver able to achieve this status of being essentially offshore to everywhere, except the lowest tax domain they choose to pay tax in?”⁴²

Jesse Norman was until recently the Financial Secretary to the Treasury, with ministerial oversight of HMRC. It is both puzzling and frustrating that he did not take advantage of the power of office to act and try to stamp out such behaviour. Gulliver's own stated view is that he doesn't regard the non-dom laws as representing aggressive tax avoidance.⁴³

The PAC hearings, together with many other evidence sessions, revealed how embedded aggressive tax avoidance had become in our culture. It was not just OK to avoid tax, it was considered clever and cool to do so. Furthermore, our parliamentary hearings demonstrated the key role played by the enablers – accountants, lawyers and bankers – in devising the schemes that facilitated tax avoidance. It was shocking to witness the confidence shown by the financial services industry. They thought that their behaviour, in deliberately helping their clients avoid tax, was acceptable practice. And it showed the weaknesses of our regulatory framework and our enforcement agencies in bearing down on egregious tax avoidance.

The longer the PAC investigated tax dodgers, the more I realised that these issues went much wider than just tax. While multinational corporations and wealthy individuals were trying to keep their money away from the watchful eyes of HMRC – often by taking it out of our economy; a more villainous brand of wrongdoer was attempting to bring illicit finance into our economy. Serious organised criminals, corrupt dictators or officials, kleptocratic oligarchs, and more were abusing our web of tax havens, our lax regulatory framework, our weak enforcement agencies and our army of financial services advisers and institutions to launder money and engage in financial crime. I quickly came to realise that Britain's role in facilitating egregious financial misconduct began much further back than our inquiries on the PAC.

42 Treasury Select Committee, Oral evidence: HM Revenue and Customs and HSBC HC 1071, February 2015, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/treasury-committee/hm-revenue-and-customs-and-hsbc/oral/18346.html>.

43 Ibid., Q125.

Part two: The scourge of dirty money

There is a conventional tale of finance in modern Britain. Our financial services sector is the engine of the economy. The City of London is the most important financial centre in the world. Money is cheap and the market knows best. However, there is a darker side to this story, one that is centred on greed and financial crime. This is an incomplete history of the darker side of money that provides the context for this report.

Our potted story begins in the 1980s, when Margaret Thatcher shifted the economic consensus in the UK. The global post-war financial system was being transformed so that money could move more freely and rapidly between jurisdictions. Thatcher capitalised with tax cuts and deregulation to change the structure of the UK economy, based on her view that there was no alternative to free-market neoliberalism.¹ This new era began with the removal of exchange rate controls in 1979 but the real turning point was the “Big Bang” of 1986, when Thatcher’s government strove to deregulate and modernise the City of London.² The reforms meant that competition exploded, takeovers and mergers flourished, and the floodgates opened to foreign investment.

The financial services sector grew to be a dominant component of the British economy. Despite a small recession and crashing out of the European Exchange Rate Mechanism in the early 1990s, the following decade was one of prosperity. The economy grew at a consistent rate of around 3% per year from 1994 until 2006.³

By 2008, the financial services sector in the UK had reached as much as 9% of GDP which was higher than in both the US and Japan, and around twice as high as in Germany and France.⁴ That edifice came crashing down in 2008 as the global economy collapsed into a debt-fuelled meltdown.

The financial crisis and the subsequent recession was, until the Covid-19 pandemic, this country’s worst economic moment since the Second World War. While the crash was global in nature, the impact of the shock was felt particularly keenly in the UK.⁵ The dominance of the banking sector in the UK and the City’s role as an international financial centre left us vulnerable to such shocks and contributed to the taxpayer having to pick up the bill.

1 Stephen Metcalf, ‘Neoliberalism: the idea that swallowed the world,’ The Guardian, August 2017, <https://www.theguardian.com/news/2017/aug/18/neoliberalism-the-idea-that-changed-the-world>

2 Jaime Robertson, ‘How the Big Bang changed the City of London for ever,’ BBC News, October 2016, <https://www.bbc.co.uk/news/business-37751599>.

3 Colin Hay, ‘Britain and the Global Financial Crisis: The Return of Boom and Bust,’ February 2011, https://www.sheffield.ac.uk/polopoly_fs/1.973891/file/DBP9_Return_of_Boom_and_Bust.pdf

4 Tony Dolphin, ‘Don’t bank on it: the financialisation of the UK economy,’ Institute for Public Policy Research, December 2012, p. 15.

5 Jonathan Cribb and Paul Johnson, ‘10 years on – have we recovered from the financial crisis?’, Institute for Fiscal Studies, September 2021, <https://ifs.org.uk/publications/13302>

Gordon Brown's Labour government spent upwards of £1 trillion bailing out the sector and buying stakes in weakened institutions, including Royal Bank of Scotland.⁶ Much of the blame for the severity of the crisis could be laid at the bonfire of regulations going back to the Thatcher years and the failure of subsequent governments to put in place robust controls.

Deregulation stripped back the checks and balances designed to limit financial crises. In advance of her deregulatory Big Bang, Thatcher was warned by a young Downing Street Policy Unit staffer and later Conservative Minister, David Willetts, that deregulation might lead to "fraud or unethical behaviour" in the City, or even "boom and bust".⁷ Willetts was ultimately proved right. Bankers' remuneration sky-rocketed and a complacent sense of entitlement came to rule much of the banking sector. Instead of acting to curb ever increasing financialisation, Labour felt it had to cosy up to the City with its "prawn cocktail offensive" while in opposition.⁸ Once in power in 1997, the Labour government granted independence to the Bank of England and deregulation continued as the Bank was stripped of its regulatory powers over commercial lenders.⁹

Deregulation and poor regulation by successive governments encouraged a culture of unsustainable lending by the banks that would ultimately contribute to the financial crash. Moreover, with such vast flows of finance flowing through the City, it was only inevitable that dirty money would enter into the UK along with the clean. In 1998, Business Secretary Peter Mandelson said: "we are intensely relaxed about people getting filthy rich – as long as they pay their taxes."¹⁰ The problem being, many weren't. London was becoming an international hub not just for tax avoidance, but also for tax evasion and financial crime.

While the big boom in the City began in the 1980s, London has an even longer history as a home to ingenious bankers looking to escape regulation and bend rules. The post-war Bretton Woods global financial system was designed to stop the uncontrolled movement of money. Yet clever London bankers found loopholes and wheezes to game the system and turn a profit. Financial crime expert and investigative journalist Oliver Bullough uses the 1960s' creation of Eurobonds to demonstrate how City financiers selected rules and laws in different jurisdictions to help customers move their money, illicit or otherwise. These bonds were issued in the Netherlands, interest was paid in Luxembourg, they were floated on the London Stock Exchange, and they were accepted by central banks all over Europe.¹¹ Today, Eurobonds are one of the world's biggest markets with more than \$100 trillion in outstanding debt.¹²

6 National Audit Office, 'Taxpayer support for UK banks: FAQs,' November 2020, <https://www.nao.org.uk/highlights/taxpayer-support-for-uk-banks-faqs/>

7 Jim Pickard and Barney Thompson, 'Archives 1985 & 1986: Thatcher policy fight over 'Big Bang' laid bare,' Financial Times, December 2014, <https://www.ft.com/content/f3c0d500-8537-11e4-bb63-00144feabdc0>

8 Elizabeth Rigby and Jim Pickard, 'Prawn cocktail offensive' urged on business,' Financial Times, September 27 2010, <https://www.ft.com/content/02ca471a-ca67-11df-a860-00144feab49a>

9 Bank of England, 'How is the Bank of England independent of the Government?' December 2020, <https://www.bankofengland.co.uk/knowledgebank/how-is-the-bank-of-england-independent-of-the-government>

10 George Parker, 'A Fiscal Focus,' Financial Times, December 2009, <https://www.ft.com/content/5f0bf460-e36d-11de-8d36-00144feab49a>

11 Oliver Bullough, *Moneyland: Why Thieves And Crooks Now Rule The World And How To Take It Back* (St. Martin's Publishing Group, London, 2018), pp. 39-43.

12 James Chen, 'Eurobond,' Investopedia, March 2020, <https://www.investopedia.com/terms/e/eurobond.asp#:~:text=KeyTakeaways-AEurobondisadebtinstrument%20that%20denominated%20in%20a,issue%20them%20in%20another%20currency>

It is this cherry picking of rules and regulations which is at the heart of the world's dirty money crisis today. Enablers of financial crime – bankers, lawyers, advisers, accountants, and more – help the greedy, the criminal and the corrupt to take advantage of different laws in different onshore and offshore jurisdictions. They move money across these jurisdictions through a maze of financial structures and shell companies, they hide the wealth from law enforcement, and they succeed in transforming the origins and nature of the dirty money and making it indistinguishable from money in the “regular” economy. As Bullough highlights, this is the “inevitable tension between borderless money and bordered states. If regulations stop at a country's borders, but the money can flow wherever it wishes, its owner can outwit any regulators they choose.”¹³ This is the problem we face today.

The UK has become one of the global jurisdictions of choice for money laundering. By seeking to attract foreign finance and investment, we have created opportunities for wrongdoers too. Our laws and our institutions do not just help people bring illicit finance into the UK, they also help wrongdoers move their money around the world, often to the detriment of struggling developing economies. Our network of offshore tax havens – the Overseas Territories and Crown Dependencies – facilitate the flow of illicit finance by offering great secrecy, very light touch regulation and little or no taxation. And there are scores of enablers who are willing to advise and support the crooked and the kleptocratic to stash their dirty money here. It is the same greed that led to the financial crash that is now central to this money laundering crisis. While prudential regulation in the financial services sector has been strengthened since the crash, regulation for economic crime has yet to catch up.

Leaks and laundromats

The shadowy and sinister world of dirty money is, to the ordinary taxpayer, hidden from view. Only the wealthy or powerful can access the type of help and guidance needed to hide one's money in the dark underbelly of the global economy. In his insightful treatise on this world of secret wealth, Oliver Bullough calls this imagined space “Moneyland” – a financial jurisdiction without borders, policing or regulations.¹⁴ It is only through the hard work and dedication of journalists, investigators, campaigners, and whistleblowers that the public know anything at all about this secret economy.¹⁵ Through numerous data leaks and money laundering scandals some of that secrecy has been peeled back. The following are six of the most significant revelations from the past decade which all, in their own way, demonstrate the size of the dirty money problem in the UK.

They all exposed both similar and new aspects of the secret world of illicit finance. They all enriched our understanding of how that world works and who is involved. However, it is frustrating to the journalists who trawled through the leaked data and to those of us engaged in campaigning on these issues, that governments are reluctant to act and the media, opinion

¹³ Bullough, Moneyland, p.45.

¹⁴ Ibid., p. 20.

¹⁵ OECD, ‘The Role of the Media and Investigative Journalism in Combating Corruption,’ 2018, www.oecd.org/corruption/The-role-of-media-and-investigative-journalism-in-combating-corruption.htm.

formers and the public seem to have become immune to the enormity of the wrongdoing that these leaks uncover. Arguing that it matters and that we can and must act to stop it remains a challenge.

1. Panama Papers

In 2016, a bombshell dropped with the historic publication of the Panama Papers. This major leak saw 370 journalists from 76 worldwide news organisations sift through 11.5 million legal documents provided by a whistleblower.¹⁶ The data came from a Panamanian law firm, Mossack Fonseca, that made its money by selling anonymous offshore companies around the world to people who wanted to hide their wealth for a range of reasons, some legitimate but many not.¹⁷ Mossack Fonseca was one of the companies at the heart of the global army of law firms, banks, accountancy firms and advisers that help wealthy individuals to secret their money away in tax havens.¹⁸ For example, as we uncovered in the Public Accounts Committee inquiry into the Swiss Falciani leaks, HSBC and its affiliates used Mossack Fonseca to create over 2,300 offshore anonymous companies for their clients, so that they could evade the tax charges arising from an EU transparency directive.¹⁹

The individuals who were exposed through the Panama Papers comprised an extraordinary list of the powerful, the rich and the famous. From sports heroes like Kevin Keegan, Nick Faldo, Lewis Hamilton, Tiger Woods and Gary Lineker; to entertainment stars like Madonna, Keira Knightley, Simon Cowell and Nicole Kidman; to rich business figures like the Barclay brothers, the property tycoon Candy brothers, and Stuart Gulliver, CEO of HSBC; through to political figures like Michael Ashcroft, Arron Banks and Jacob Rees-Mogg.²⁰

12 current or former world leaders were named too. A \$2 billion trail to Vladimir Putin, through his close friend, the cellist Sergei Roldugin, was uncovered, revealing money of dubious origin – known as “Putin’s wallet” – coming out of Russia and finding its way into the pockets of Roldugin and Putin’s inner circle.²¹ Some found its way into a company that owns an upmarket ski resort in the Leningrad region, which became the venue for a sumptuous wedding for Putin’s daughter.²² Iceland’s Prime Minister resigned after it was revealed that he and his wife owned a secret company in the British Virgin Islands (BVI).²³ Nawaz Sharif, who served as the Prime Minister of Pakistan for three separate terms, was removed from office in 2017 because of corruption and money laundering offences revealed in the Panama Papers.²⁴

16 Will Fitzgibbon, ‘Panama Papers FAQ: All You Need to Know About The 2016 Investigation,’ International Consortium of Investigative Journalists, August 2019, <https://www.icij.org/investigations/panama-papers/panama-papers-faq-all-you-need-to-know-about-the-2016-investigation/>

17 Ibid.

18 Luke Harding, Mossack Fonseca, ‘Inside the firm that helps the super-rich hide their money,’ The Guardian, April 2016, <https://www.theguardian.com/news/2016/apr/08/mossack-fonseca-law-firm-hide-money-panama-papers>

19 Ibid.

20 Fitzgibbon, ‘Panama Papers FAQ.’

21 Luke Harding, ‘Revealed: the \$2bn offshore trail that leads to Vladimir Putin,’ The Guardian, April 2016, <https://www.theguardian.com/news/2016/apr/03/panama-papers-money-hidden-offshore>

22 Ibid.

23 Fitzgibbon, ‘Panama Papers FAQ.’

24 Ibid.

Just last year, the Chief of Staff to the ex-Prime Minister of Malta, Keith Shembri, was charged with fraud and money laundering based on information revealed in the leak.²⁵ Even David Cameron – who had been calling for greater transparency to prevent tax avoidance and financial crime – found himself caught up in the scandal, as his father had an offshore fund to avoid tax.²⁶

It was particularly disturbing to find so many Government leaders and Ministers from around the world cited in both these and the other subsequent leaks. Those responsible for setting the tax rates for their communities and jurisdictions were exploiting the secrecy offered by tax havens and loopholes in tax laws, so that they themselves could avoid paying the taxes that they had prescribed for others.

Most shockingly, more than half of the shell companies exposed in the Panama Papers were incorporated in the BVI, a British Overseas Territory.²⁷ That was when I started to realise how endemic tax avoidance and financial crime had become, how financial bad behaviour had seeped into the political and public arena, how shamelessly the enablers of this behaviour worked to facilitate wrongdoing, how central the role of Britain's tax havens were to this unacceptable and often criminal activity, how British institutions and UK law facilitated financial crime, and how important it was to force greater transparency into the system, so that we could achieve greater visibility over who owns what and follow the money more easily.

2. Paradise Papers

18 months later, in November 2017, another massive hoard of financial documents was leaked to the same international group of investigative journalists.²⁸ Known as the Paradise Papers, this leak came from an offshore legal services provider, Appleby, that worked in the Caribbean with a former subsidiary, company services provider, Estera.²⁹ Although the public had become a little impervious to this wrongdoing in the wake of the previous leak, the Paradise Papers once again triggered anger and outrage.

Again many of the names involved in schemes revealed in the Paradise Papers were highly respected establishment figures or much-loved companies. It emerged that a shopping mall in Lithuania was part owned by one of the wealthiest musicians in the world, Bono.³⁰ The Irish rock star had become a highly regarded anti-poverty campaigner, yet he was engaged in the most egregious tax avoidance. The Queen was implicated because of action taken on her behalf by her advisers, while Prince Charles was also involved – the papers revealed his private estate had acquired a share in a Bermuda-based company that wanted to trade in carbon credits. He actively and openly lobbied for a rule change in Europe on international carbon trading rules that could potentially financially benefit the company.

25 Ibid.

26 Ibid.

27 Transparency International, 'British Virgin Islands: Have They Cleaned Up Since The Panama Papers?' October 2016, <https://www.transparency.org/en/news/british-virgin-islands-have-they-cleaned-up-since-the-panama-papers>.

28 BBC News, 'Paradise Papers: Everything you need to know about the leak,' November 2017, <https://www.bbc.co.uk/news/world-41880>.

29 Ibid.

30 Ibid.

His estate, the Duchy of Cornwall, denied that there was any connection.³¹ Formula One driver, Lewis Hamilton, took advantage of a tax scheme that operated from the Isle of Man so that he could avoid paying the full VAT bill of £3.3 million on the new personal Bombardier Challenger jet he had bought through a company based in the BVI.³²

Again a frightening number of frontline politicians also had secret accounts – whether their purpose was legitimate or not is unknown. Those included Justin Trudeau’s chief fundraiser, Donald Trump’s Commerce Secretary, Brazil’s finance minister and Uganda’s foreign minister.³³ A British peer, Baron Sassoon, who had previously served as a President of the Financial Action Task Force (an intergovernmental body designed to combat money laundering) and a Conservative Treasury Minister from 2010 to 2013 was also named.³⁴ As did global corporations like Nike, who found themselves in the news for aggressive tax avoidance.³⁵ Whether their purpose was legitimate or not is unknown. Although these accounts could have been held for legitimate purposes, and some no doubt were, it is legitimate to question why these individuals and organisations chose to organise their affairs in this way. Correspondence discovered in the Paradise Papers also revealed Apple’s determination to locate their headquarters in a new base where they could avoid tax after Ireland started to tighten up their tax laws.³⁶ They touted themselves around the tax havens, seeking out the most competitive offer they could get and finally settled for Jersey. The tech giant later found itself attacked by a US Senate Committee for seeking “the holy grail of tax avoidance”.³⁷

The Paradise Papers confirmed my understanding of just how widespread aggressive tax avoidance or evasion had become. The leak also demonstrated how the enablers in the financial services sector were engaged in supporting and facilitating an enormous amount of financial crime. Whether it was banks, accountants or lawyers – the winnings associated with supporting both questionable and illicit behaviour seemed too tempting to turn down. However, it was not just the individuals or companies that were responsible for this state of affairs. Governments around the world also had to shoulder the blame for this crisis of immoral or illegal financial behaviour.

That was especially true in the UK, where our uncontrolled support for both financial services and inward investment allowed bad tax behaviour and economic crime to proliferate. A lack of transparency was absolutely fundamental in contributing to this wrongdoing.

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- 31 Will Fitzgibbon, ‘Another British Royal Found With Offshore Connections,’ International Consortium of Investigative Journalists, November 2017, <https://www.icij.org/investigations/paradise-papers/another-british-royal-found-offshore-connections/>
- 32 BBC News, ‘Paradise Papers: Everything you need to know about the leak,’ November 2017, <https://www.bbc.co.uk/news/world-41880153>
- 33 ICIJ, ‘Explore the Politicians in the Paradise Papers,’ November 2017, <https://www.icij.org/investigations/paradise-papers/explore-politicians-paradise-papers/>
- 34 Camilla Hodgson, ‘The UK Minister formerly in charge of anti-money laundering has been named in the Paradise Papers leak,’ Business Insider, November 2017, <https://www.businessinsider.com/anti-money-laundering-paradise-papers-leak-2017-11?r=US&IR=T>
- 35 Will Martin, ‘Paradise Papers: The biggest names caught up in the leak so far,’ Business Insider, November 2017, <https://www.businessinsider.com/paradise-papers-biggest-celebrities-named-2017-11?r=US&IR=T>
- 36 Jesse Drucker and Simon Bowers, ‘After a Tax Crackdown, Apple Found a New Shelter for Its Profits,’ New York Times, November 2017, <https://www.nytimes.com/2017/11/06/world/apple-taxes-jersey.html>
- 37 Hearing Before The Permanent Subcommittee On Investigations Of The Committee On Homeland Security And Governmental Affairs United States Senate One Hundred Thirteenth Congress First Session (May 21, 2013). Offshore Profit Shifting And The U.S Tax Code—Part 2 (Apple Inc.), <https://www.govinfo.gov/content/pkg/CHRG-113shrg81657/pdf/CHRG-113shrg81657.pdf>, p.3.

As was a culture based on deregulation and poorly resourced enforcement agencies. The conditions set by successive UK governments – of secrecy, inadequate rules, and weak policing – created an environment that was totally ripe for these behaviours to flourish. What had started for me as a journey exploring the occasional instance of egregious tax avoidance, was morphing into a comprehension of how the structures that underpinned global finance were corrupting the economy itself. Financial wrongdoing had moved from the margins to the mainstream, with little public comment, scant interest from the media or legislators, and silent acquiescence by Government.

3. Russian and Troika laundromats

In too many of the stories exposed by whistleblowers and in dossiers of material leaked to journalists, Russia is named as a prominent actor. Russian money and wealthy Russian individuals, many of whom are close to Putin, are ever present.³⁸ Russia is not the only bad apple, but it would appear that the Russian oligarchy are among the worst culprits for abusing the countless avenues that enable the movement and laundering of money, often stolen from public assets in Russia or former Soviet states, into the legitimate economy.³⁹ The methods used crop up time and time again. They set up companies in the UK or in our tax havens; they use British banks, accountants, lawyers and advisers to establish the structures that will help them bring their illicit wealth into the legitimate economy; they use the UK courts in litigation about their wealth; they buy expensive properties in the UK; they use their ill-gotten gains to purchase luxuries from jewellery, to art, to furs, to private schooling for their children; they secure citizenship through golden visas; they grow their influence through philanthropic giving and through buying into major institutions, like football clubs; and they contribute towards political parties and politicians.⁴⁰ It would seem that the UK and our tax havens have become a prime jurisdiction of choice for Russians whose personal wealth is often dubious in origin and who want to get their money out of Russia and then use it to gain status and influence in Britain.

There were two major data leaks that helped to shed light on how the Russians operate. One came into view in March 2017 and was dubbed the “Russian Laundromat.”⁴¹ The other hit our press two years later in March 2019 and became known as the “Troika Laundromat.”⁴² These “laundromats” became known as such because dirty money is shifted between jurisdictions in complex cycles in order to “clean” it and turn it into legitimate wealth.⁴³ The Russian Laundromat saw \$20.8 billion, some of it taxpayer money destined for use in public services, moved out of Russia between 2010 and 2014. Initially the money flowed through 21 companies that were registered in the UK, along with Cyprus and New Zealand, to be laundered.

38 Transparency International, ‘Troika Laundromat Signals a Different Kind Of Financial Crisis,’ 2019, <https://www.transparency.org/en/news/troika-laundromat-a-different-kind-of-financial-crisis>

39 Oliver Bullough, ‘How Britain let Russia hide its dirty money,’ The Guardian, May 2018, <https://www.theguardian.com/news/2018/may/25/how-britain-let-russia-hide-its-dirty-money>

40 Bullough, ‘How Britain let Russia hide its dirty money.’

41 The Organized Crime and Corruption Reporting Project, ‘The Russian Laundromat Exposed,’ March 2017, <https://www.occrp.org/en/laundromat/the-russian-laundromat-exposed/>

42 The Organized Crime and Corruption Reporting Project, ‘The Troika Laundromat,’ March 2019, <https://www.occrp.org/en/troikalaundromat/>

43 The Organized Crime and Corruption Reporting Project, ‘The Russian Laundromat Exposed.’

Major UK banks, including HSBC, Royal Bank of Scotland, Natwest and Lloyds, helped to facilitate the flow of laundered funds amounting to nearly £750 million.⁴⁴

The scheme was common to others in its design. Shell companies were established with nominee directors. Then invoices began to flow between these companies, often based on fictitious loans or fictitious acquisition of goods or fictitious building work. By paying these bills through money placed from Russia in an obscure branch of a bank in a small country (Moldova and Latvia were chosen for the Russian Laundromat) money was transferred between the many shell companies into the mainstream. In one instance, Valemont Properties Ltd – registered at Companies House – sued another UK-registered company for the repayment of a fictitious loan in a Moldovan court. That provided seemingly trustworthy cover for money laundering.⁴⁵

Journalists working through the Organized Crime and Corruption Reporting Project traced the money and found it paid for luxuries, like furs, diamonds, private school fees and other goods sold in prestigious outlets.⁴⁶ According to the investigative journalists, money was also funnelled through shell companies registered both in the UK and our tax havens and then used to buy property, such as a historic London pub and a Kensington townhouse. Other money found its way into the accounts of accountants and advisers, with Price Waterhouse Coopers (PWC), for example, getting paid for consultancy services to a Russian-owned firm based in Cyprus.⁴⁷ The investigators alleged that there were around 500 individuals involved in the Laundromat, including a Moldovan businessman and former MP, a Russian banker, and a successful businessman who ran the Russian railways and who was a longstanding ally of Putin.⁴⁸

The Troika Laundromat later revealed data from the largest private investment bank in Russia, Troika Dialog.⁴⁹ Its president, Ruben Vardanyan, was an ally of Putin who enjoyed a reputation as a generous philanthropist. He spoke at the World Economic Forum in Davos and was entertained at a black-tie dinner by Prince Charles after donating \$200,000 to the Prince's Charities Foundation from a company registered in the BVI.⁵⁰ Yet the journalists who exposed the leak, comprising 1.3 million banking transactions, found that the bank had been at the heart of a network of 70 offshore companies that had taken \$4.6 billion out of Russia.⁵¹ They too used a network of shell companies with no offices or staff, and created a series of fictitious transactions between the companies to move money around so that its origin could be disguised. Illicit cash was taken through Ukio Bank in Lithuania and then became available to fund the luxurious lifestyles of kleptocrats in Europe and America.⁵² Some familiar names reappeared, like Sergei Roldugin, Putin's cellist friend who emerged in the

44 The Organized Crime and Corruption Reporting Project, 'The Russian Laundromat Exposed.'

45 Ibid.

46 Ibid.

47 Ibid.

48 Ibid.

49 The Organized Crime and Corruption Reporting Project, 'Vast Offshore Network Moved Billions With Help From Major Russian Bank,' March 2019, <https://www.occrp.org/en/troikalaundromat/vast-offshore-network-moved-billions-with-help-from-major-russian-bank>

50 Juliette Garside, 'How Prince Charles's stately home restoration linked him to Russian money,' The Guardian, March 2019, <https://www.theguardian.com/world/2019/mar/04/how-prince-charles-stately-home-restoration-linked-him-with-russian-money-troika-laundromat>

51 Ibid.

52 The Organized Crime and Corruption Reporting Project, 'Vast Offshore Network Moved Billions With Help From Major Russian Bank.'

Panama Papers. It would seem that Roldugin moved nearly \$70 million out of Russia through the Troika Laundromat, although he has denied any wrongdoing.⁵³

The frequency of these leaks began to feel like a tsunami of financial corruption. Much of it facilitated by our deregulated corporate structures, our greedy financial services sector and our weak regulatory bodies. As my focus on financial crime developed, so did my preoccupation begin to shift towards the role that Britain, its Overseas Territories and its Crown Dependencies played in the global movement of dirty money.

4. Azerbaijan laundromat

A further powerful illustration of the public policy challenges that emerged for the UK came from another financial scandal centred on Azerbaijan. In September 2017, papers were leaked from the Estonian branch of a Danish bank that revealed that \$2.9 billion had been laundered out of the country by its kleptocratic President and other members of its political elite.⁵⁴ The leaks related to payments made from 2012 to 2014. The cache of papers became known as the Azerbaijan Laundromat.⁵⁵

President Ilham Aliyev inherited the presidency from his father, who had moved seamlessly from being head of the KGB in Azerbaijan before the break-up of the Soviet Union to President of Azerbaijan after the collapse.⁵⁶ Transparency International ranks the country in the worst third of countries on their “perceived corruption” index.⁵⁷ Money was moved out of Azerbaijan, nearly half from an account held at the International Bank of Azerbaijan in the name of a shell company linked to the Aliyev family (A Presidential aide dismissed this as a ‘smear’ and said that the regime was victim of a scandalous campaign by British and American intelligence). Shortly after the cash left the country, the bank filed for bankruptcy ruining the lives of the Azerbaijan citizens who had placed their trust in the national bank and kept their money there. Then the money was transferred to a small branch of Danske Bank in Estonia (itself embroiled in a wider \$200 billion money laundering scandal).⁵⁸ And that is where Britain comes in.

The accounts used to launder the money out of Azerbaijan and into Estonia were associated with four shell companies incorporated here in the UK. For the princely sum of £12 anybody can establish a company at Companies House.⁵⁹ They are expected under the law to provide the names of the beneficial owners of the company or the “Persons of Significant Control”, but Companies House does not routinely check the information provided, so it is easy to use a nominee director and hide the true identity of the owner. In the case of the Azerbaijan Laundromat a listed owner of one of the companies that sent millions around the world was

53 Ibid.

54 The Organized Crime and Corruption Reporting Project, ‘The Azerbaijani Laundromat,’ September 2017, <https://www.occrp.org/en/azerbajjanilaundromat/>

55 Ibid.

56 OCCRP, ‘Azerbaijan’s ruling family and their associates acquired dozens of prime London properties worth nearly \$700 million,’ October 2021, <https://www.occrp.org/en/the-pandora-papers/azerbajjans-ruling-aliyev-family-and-their-associates-acquired-dozens-of-prime-london-properties-worth-nearly-700-million>

57 Transparency International, ‘Corruption Perceptions Index,’ 2020, <https://www.transparency.org/en/cpi/2020/index/aze>

58 The Organized Crime and Corruption Reporting Project, ‘The Azerbaijani Laundromat.’

59 Committee on Standards in Public Life, ‘Fifth Report of the Committee on Companies House Fees,’ January 2022, <https://www.gov.uk/government/publications/companies-house-fees/companies-house-fees>

a lorry driver, while another worked as an office manager. Establishing a British-registered company creates an aura of respectability. In this case, it allowed those seeking to launder money to create false invoices relating to fictional transactions and transfer money out of Azerbaijan to pay these fictitious bills. Consequently, the Azeri kleptocrats were able to bring dirty money into the legitimate system.

Some of the \$2.9 billion that found its way out of Azerbaijan was used for so-called “caviar diplomacy”.⁶⁰ Or in other words, to bribe European politicians. At the time, Azerbaijan was being investigated by the Council of Europe for human rights abuses. The Azeri rulers wanted to quash a critical report that was being prepared by the Council that would have damaged their international reputation. European politicians were allegedly bribed to lobby against the report and reject its recommendations.⁶¹ This corrupt diplomacy unfortunately succeeded as the report alleging human rights abuses in Azerbaijan was rejected by the Council of Europe in 2013.⁶² Today, an Italian politician, Luca Volonte, is in jail for four years after allegedly receiving over €2 million in bribes, while a former German MP, Eduard Lintner, had his home raided and is under investigation for alleged bribes that were uncovered as part of the Azerbaijan Laundromat, although he has denied wrongdoing. He has been granted British citizenship.⁶³

A good deal of the money stolen from Azerbaijan was used to pay for lavish lifestyles and luxury properties, much of it in the UK. The son of Azerbaijan’s Minister of Transport was just 20 when he bought a £2.75 million mansion in Bishops Avenue, a luxury home that has almost quadrupled in value.⁶⁴ As stated during a parliamentary debate, “the son of the Azerbaijan Deputy Prime Minister was 21 when he bought a £1.4 million penthouse flat in the Docklands. (...) In 2012, on reaching the mature age of 27, he bought an even grander property in Kingston upon Thames for £5 million, and he has also been granted British citizenship.”⁶⁵ The President’s two daughters, Leyla and Arzu Ilyeva used a BVI-based company to buy property in Britain. They apparently own some \$150 million of property around the world, with three luxury properties in London, an opulent flat overlooking Hyde Park and a £20 million mansion in Hampstead Lane.⁶⁶ So by abusing the UK’s lax corporate structures, the ruling elite were able to construct a complex web of companies through which they laundered money across the world and into the UK, ending up in the pockets of their chosen, beneficiaries.

60 The Organized Crime and Corruption Reporting Project, ‘The Azerbaijani Laundromat’

61 Council of Europe, ‘Report of the Independent Investigation Body on the allegations of corruption within the Parliamentary Assembly,’ April 2018, <http://assembly.coe.int/Communication/IBAC/IBAC-GIAC-Report-EN.pdf>

62 Ibid., pp. 57-60.

63 The Organized Crime and Corruption Reporting Project, ‘The Azerbaijani Laundromat.’

64 House of Commons, Money Laundering and Tax evasion (Azerbaijan) debate. Volume 629: debated on Thursday 19 October 2017. [https://hansard.parliament.uk/commons/2017-10-19/debates/B6AED16B-1E8D-422D-B243-998FAF919D2D/MoneyLaunderingAndTaxEvasion\(Azerbaijan\)](https://hansard.parliament.uk/commons/2017-10-19/debates/B6AED16B-1E8D-422D-B243-998FAF919D2D/MoneyLaunderingAndTaxEvasion(Azerbaijan))

65 Ibid.

66 Ibid.

5. FinCEN Files

In September 2020, a further tranche in a long line of leaked financial documents was revealed by BuzzFeed and an international consortium of investigative journalists.

The FinCEN Files, as they were labelled, gave us a unique insight into how the banks are failing to provide adequate protection against money laundering and are indeed complicit in enabling financial crime. The data dump accounts for more than \$2 trillion (around £1.5 trillion) worth of transactions that took place between 1999 and 2017.⁶⁷

The files include more than 2,600 leaked documents from the Financial Crimes Enforcement Network (FinCEN), a US government agency that monitors economic crime and money laundering.⁶⁸ Included in the documents are more than 2,100 Suspicious Activity Reports (SARs). These are reports compiled by banks on what they deem to be suspicious transactions. The banks submit the reports to law enforcement agencies and by fulfilling this bureaucratic task they absolve themselves of any further responsibility in relation to the clients on whom they have submitted reports. The banks can simply carry on laundering money for their clients arguing that responsibility now rests with the enforcement agencies.⁶⁹ Although the reports are not necessarily evidence of wrongdoing or criminal behaviour, the leaked SARs demonstrate how our defences against dirty money are – or aren't – working.

The overarching theme of the FinCEN Files is of global banks that are far too willing to turn a blind eye to suspicious transactions. Despite the best efforts of many hard-working individuals in the finance sector, anti-money laundering regulations and procedures are ineffective. One UK-based BuzzFeed journalist that worked on the FinCEN Files investigation told me in a meeting that, in their view, the banks are “culturally corrupt”. The investigators suggested that as margins have become tighter, the banks prioritise wealth management services where the provenance of money can be dubious. And despite the threat of penalties or sanctions, the banks continue as before and accept any fines as a cost of doing business.⁷⁰

While FinCEN is a US agency, as ever the UK and its offshore tax havens are right at the heart of the leak. The files unearth how Britain is viewed by the agency FinCEN as a “higher-risk jurisdiction” – comparable to the tax haven Cyprus – for money laundering and financial crime.⁷¹ Among the 90 or so financial institutions named in the leak were some of Britain's biggest banks: including HSBC, Barclays, and Standard Chartered.⁷²

67 Jason Leopold, Anthony Cormier, John Templon, Tom Warren, Jeremy Singer-Vine, Scott Pham, Richard Holmes, Azeen Ghorayshi, Michael Sallah, Tanya Kozyreva, and Emma Loop. 'THE FINCEN FILES,' BuzzFeed News, 20 September 2020, <https://www.buzzfeednews.com/article/jasonleopold/fincen-files-financial-scandal-criminal-networks>

68 Fergus Shiel and Dean Starkman, 'About the FinCEN Files investigation,' ICIJ, 19 September 2020, <https://www.icij.org/investigations/fincen-files/about-the-fincen-files-investigation/>

69 BBC News, 'FinCEN Files: All you need to know about the documents leak,' 21 September 2020, <https://www.bbc.co.uk/news/uk-54226107>

70 ICIJ, 'Global Banks Defy U.S. Crackdowns By Serving Oligarchs, Criminals, and Terrorists,' OCCRP, 21 September 2020, <https://www.occrp.org/en/the-fincen-files/global-banks-defy-us-crackdowns-by-serving-oligarchs-criminals-and-terrorists>

71 Justin Parkinson, 'FinCEN Files: One of the world's 'dodgiest addresses' is in leafy Hertfordshire,' BBC News, 21 September 2020, <https://www.bbc.co.uk/news/uk-54204053>

72 BBC News, 'FinCEN Files: All you need to know about the documents leak'

At least 20 per cent of the files had clients that listed an address in the BVI, a UK Overseas Territory.⁷³ Finally, the leak named 3,267 UK shell companies, all Limited Liability Partnerships and Limited Partnerships, most of which were registered and maintained by UK company service providers.⁷⁴ These revelations provide yet further evidence of the complicity of Britain and our financial services sector in laundering money and dealing with illicit finance around the world. For example, billionaire Russian oligarch and close Putin ally, Arkady Rotenberg, used Barclays bank accounts to escape US sanctions and buy millions of pounds worth of art in London.⁷⁵ He declined to comment on this claim when approached by the BBC.

What must not be forgotten is that behind every pound sterling that is laundered lies other crimes that are often more vile and insidious. Drug smuggling, human trafficking, fraud, arms dealing, organised crime, art theft, embezzling public funds, terrorism, and corruption. These are all listed as the possible sources of the money at the heart of this leak. The FinCEN Files provide a snapshot of the inner workings of money laundering compliance in our finance sector, and the picture they paint is of a system that simply does not work. The banks are our first lines of defence against dirty money and yet the rewards for failing to spot risks, for accepting illicit finance, appear simply to be too great. The outsourcing of our regulatory checks to the banks is not working. Government must step in with better regulation and stronger powers of enforcement, so that the banks are held to proper account.

6. Pandora Papers

Another data leak emerged in October 2021 after a brave whistleblower handed over a cache of files to the ICIJ. This latest data dump – known as the Pandora Papers – is the largest yet and once more provides a glimpse into the murky world of offshore finance.⁷⁶ Similar to its alliterative predecessors, the Panama and Paradise Papers, this most recent leak reveals the pivotal role played by the UK and our offshore tax havens in the tax avoidance and illicit financial activities of the wealthy. However, unlike past leaks the Pandora Papers derive from multiple sources – 12 million files with data from 14 different legal firms or corporate service providers, showing the widespread involvement of enablers.⁷⁷ In comparison to previous leaks, the Pandora Papers focus on the behaviour of very rich individuals, as opposed to multinational companies, in avoiding taxes and hiding their wealth.

The Pandora Papers name the owners of more than 29,000 offshore companies.⁷⁸ Of those, the ICIJ found 956 corporate vehicles in offshore financial centres that were linked to 35 former or current heads of state and 30 senior public officials.

73 Global Witness, 'Global Witness response to the 'FinCEN files' leaks,' 21 September 2020, <https://www.globalwitness.org/en/press-releases/global-witness-response-to-the-fincen-files-leaks/>

74 Simon Bowers, 'Controversial shell-company 'factories' seek a role cleaning up UK's reputation,' ICIJ, October 20, 2020, <https://www.icij.org/investigations/fincen-files/controversial-shell-company-factories-seek-a-role-cleaning-up-uks-reputation/>

75 BBC News, 'FinCEN Files: sanctioned Putin associate "laundered millions" through Barclays,' 20 September 2020, <https://www.bbc.co.uk/news/uk-54225577>

76 The Guardian, 'The Pandora Papers,' October 2021, <https://www.theguardian.com/news/series/pandora-papers>

77 BBC News, 'Pandora papers: A Simple Guide to the Pandora Papers Leak,' October 2021, <https://www.bbc.co.uk/news/world-58780561>

78 ICIJ, 'Offshore havens and hidden riches of world leaders and billionaires exposed in unprecedented leak,' October 2021, <https://www.icij.org/investigations/pandora-papers/global-investigation-tax-havens-offshore/>

These shocking revelations involving so many world leaders quickly link back to the UK. Over two thirds of the companies identified in the leak are based in the BVI.⁷⁹ In a similar vein, there are 13,000 beneficial owners identified in the leaks; 5,000 are from South America, 1,500 are from Russia, and 1,000 are from the UK.⁸⁰

As mentioned by David Davis during a June 2023 parliamentary debate,

"The figures behind the leak are mind-boggling, and the documents contain many scandalous stories which really confirm how utterly awful the abuse of offshore has become. The papers bring to light how Conservative party donor, Mohamed Amersi, allegedly used BVI-based companies to profit from apparently corrupt deals between a Swedish telecoms giant and a key power broker in the kleptocratic regime in Uzbekistan.⁸¹ They reveal the offshore structures deployed by Putin's inner circle of oligarchs and allies to buy million-dollar properties along the Monaco seafront.⁸² They demonstrate that money flows into onshore tax havens, such as US states like South Dakota, where there is around \$360 billion hidden in secret trusts, including money that could have been derived from corrupt regimes or criminal activities."⁸³ The full debate is available on Hansard, which records all parliamentary business.⁸⁴

Much of the activity unearthed in the documents is not necessarily illegal, but it is certainly immoral. The super-rich are shown to employ a range of secret financial structures to hide their wealth, avoid tax and move money. The Papers also highlight how there is, in effect, a "For Sale" sign hanging over the United Kingdom. Case after case throws into stark relief the abuses of our UK property market by the wealthy and by those who want to launder money easily. Investing in UK property through an anonymous shell company registered in a tax haven is a straightforward route for the rich; your identity is never revealed and nobody questions the source of your wealth. The Pandora investigators identified anonymous owners for more than 1,500 UK properties worth at least £4 billion.⁸⁵ And of the 716 companies that own these properties, 678 are based in the BVI – that's 95 per cent.⁸⁶ However, the cases unveiled by the leak barely touch the sides of the £170 billion of UK property that Private Eye has estimated to be owned offshore.⁸⁷

Against this background the Pandora Papers established some startling cases.

79 Ibid., The Guardian, 'Major Tory donor advised on Uzbekistan deal later found to be \$220m bribe,' October 2021, <https://www.theguardian.com/news/2021/oct/04/major-tory-donor-advised-on-uzbekistan-deal-later-found-to-be-bribe-mohamed-amersi>

80 Pamela Duncan, Sean Clarke and Caelainn Barr, "Almost a million bibles of data: the Pandora Papers in numbers, The Guardian, October 2021, <https://www.theguardian.com/news/2021/oct/04/almost-a-million-bibles-of-data-the-pandora-papers-in-numbers>

81 Hansard, Adjournment debate, David Davis, Lawfare and its impact on open and democratic freedoms, 29 June 2023.' <https://hansard.parliament.uk/commons/2023-06-29/debates/AB9B8F81-7AE0-446A-81E8-6F50DFE7BCC2/Lawfare>

82 Luke Harding, 'Pandora Papers reveal hidden riches of Putin's inner circle', The Guardian, October 2021, <https://www.theguardian.com/news/2021/oct/03/pandora-papers-reveal-hidden-wealth-vladimir-putin-inner-circle>

83 Emily Walsh, 'South Dakota now rivals offshore tax havens for financial secrecy, Pandora Papers say', Business Insider, October 2021, <https://www.businessinsider.com/pandora-papers-south-dakota-rivals-offshore-tax-havens-for-financial-secrecy-2021-10?r=US&IR=T>

84 Hansard, Adjournment debate, David Davis, Lawfare and its impact on open and democratic freedoms, 29 June 2023. <https://hansard.parliament.uk/commons/2023-06-29/debates/AB9B8F81-7AE0-446A-81E8-6F50DFE7BCC2/Lawfare>

85 Simon Goodley and Joseph Smith, 'Revealed: Pandora Papers unmask owners of offshore –held UK property worth £4bn', The Guardian, October 2021, <https://www.theguardian.com/news/2021/oct/05/pandora-papers-reveal-true-owners-offshore-held-uk-property-london>

86 Ibid.

87 Private Eye, 'Selling England (and Wales) by the pound', September 2015, <https://www.private-eye.co.uk/registry>

The Papers show how the Crown Estate purchased a £67 million London property from the kleptocratic ruling family of Azerbaijan.⁸⁸

A Russian oligarch, Mikhail Gutseriev, who is under sanction by the UK for close ties to the corrupt Belarussian regime, emerges as the owner of a £50 million property empire across London.⁸⁹ Cyrus and Saman Ahsani of the British- Iranian Ahsani family, allegedly behind the “world’s biggest bribe scandal” – Unaoil – appear to have laundered millions of pounds into commercial property across the country.⁹⁰

The Pandora Papers also illustrate how the damage goes beyond property – there is evidence of money coming into the country from dubious sources and then being used to infiltrate public institutions and political parties. Those in power who could actually stop the abuse of the global financial system are sometimes the ones who benefit, either directly or indirectly, from offshore finance. They therefore have little interest in eradicating this wrongdoing. Our own Prime Minister, Boris Johnson, enjoyed a holiday in a luxury Spanish villa controlled by the Goldsmith family via offshore companies. Both Zac and Ben Goldsmith served in Boris Johnson’s government. Other companies owned by the Goldsmith family were the subject of an investigation by tax authorities in Spain over alleged unpaid taxes and fines arising from a property deal,⁹¹ however it is unclear whether Zac or Ben Goldsmith personally knew about the deal.

The lifecycle of dirty money

At its simplest, money laundering is the act of bringing illegitimate money into the legitimate financial system. Whether we’re considering a criminal engaged in drug smuggling, a foreign public official who has embezzled citizens’ money, or a billionaire oligarch engaged in corrupt deals – they will all want to “clean” their dirty money so that they can spend it. According to the UN Financial Accountability Transparency and Integrity Panel, criminals launder the equivalent of 2.7 per cent of global GDP each year – that’s \$1.6 trillion.⁹² To illustrate how huge that number is, it’s similar to the GDP of Canada.⁹³ This sea of dirty money flows in and out of dark economies around the world; it destabilises regular economies and it is often not taxed. We must start to tackle this mounting crisis because we can never secure sustained prosperity and growth on the back of dirty money.

88 Simon Goodley, Margot Davies and Harry Gibbs, ‘Crown Estate bought £67m London property from family of Azerbaijan ruler’, The Guardian, October 2021, <https://www.theguardian.com/news/2021/oct/03/queen-crown-estate-bought-property-family-azerbaijan-ruler>

89 Simon Goodley and Joseph Smith, ‘Revealed: Pandora Papers unmask owners of offshore –held UK property worth £4bn

90 Simon Goodley and Rob Evans, ‘Money from “world’s biggest bribe scandal” invested in UK property’, The Guardian, October 2021, <https://www.theguardian.com/news/2021/oct/05/money-from-worlds-biggest-bribe-scandal-invested-in-uk-property>

91 Harry Davies, Rowena Mason and Sam Jones, ‘Boris Johnson’s holiday villa linked to offshore tax havens, documents suggest’, The Guardian, 14 October 2021, <https://www.theguardian.com/politics/2021/oct/14/boris-johnsons-holiday-villa-linked-to-offshore-tax-havens-documents-suggest> ; <https://www.theguardian.com/politics/2021/nov/12/boris-johnson-holiday-villa-linked-to-zac-goldsmith-firms-accused-of-tax-evasion>

92 FACTI Panel, ‘Tax abuse, money laundering and corruption plague global finance’, September 2020, <https://www.factipanel.org/press-release/interim-report-press-release>

93 World Bank, ‘GDP Data’, 2020, https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most_recent_value_desc=true

There is a standard lifecycle for every pound of this illicit finance. In their *The Cost of Secrecy* report, Transparency International UK break this lifecycle down to “extraction“, “movement“, and “investment”.⁹⁴ That first stage is the wrongdoing from which the money derives, and of which I have addressed many examples throughout this paper. The second step explains how this money is shifted from one jurisdiction to another, often involving offshore tax havens. And finally, that third phase encapsulates how this dirty money is spent and deployed in order to launder it. In the following section, I’m going to focus on a few key examples that demonstrate this lifecycle.

Shell companies

There is a building block for the offshore world: the shell company. These are empty corporate vehicles that usually do not relate to any real business activity but instead serve as vessels through which money can be moved, both illicit and otherwise. Or in the words of the US Treasury agency, FinCEN, shell companies are corporate vehicles or trusts that “typically have no physical presence (other than a mailing address) and generate little to no independent economic value”.⁹⁵ Shell companies become especially powerful tools when coupled with the secrecy offered by offshore tax havens as they in effect provide the owners with anonymity, allowing them to move their money more easily to more reputable jurisdictions.⁹⁶ The more complex the network of shell companies, the more difficult it becomes to trace the source of the wealth. To be clear, shell companies are not necessarily related to illegal conduct and their existence does not prove wrongdoing. However, they do primarily exist to provide secrecy or to act as part of financial structures designed to reduce tax liabilities (for both corporations and wealthy individuals).

The UK, through its relatively weak and poorly resourced institutions and being a jurisdiction that tolerates a pitiful standard of policing of this landscape, provides a safe haven for wrongdoers. We make it easy for them to succeed and we provide a veneer of respectability based on our traditional reputation as a trusted jurisdiction governed by the rule of law. The previously mentioned low cost of setting up a company in the UK – just £12 – being one example. However, the lack of resources and the lack of proper investigatory powers at Companies House means that this regulatory body can do little more than check that all the relevant boxes have been filled in. Companies House simply acts as a postbox in the system, failing to verify the information provided and lacking the powers to launch any investigation when and where they believe suspicious activity is taking place. Successive governments wanted to make it easy to set up a new company in the UK, but in so doing we provided a wonderful opportunity for wrongdoers to create shell companies using our corporate structures.

Take Scottish Limited Partnerships (SLPs) as one example of corporate entities that have

94 Transparency International UK, “The Cost of Secrecy,” December 2018, <https://www.transparency.org.uk/publications/cost-of-secrecy>, p.3.

95 FinCEN, ‘Potential money laundering risks related to shell companies,’ November 2006, <https://www.fincen.gov/resources/statutes-regulations/guidance/potential-money-laundering-risks-related-shell-companies>

96 Transparency International UK, ‘Hiding In Plain Sight: How UK Companies Are Used To Launder Corrupt Wealth,’ November 2017, <https://www.transparency.org.uk/publications/hiding-in-plain-sight>, p.10.

proved particularly vulnerable to exploitation. Originally designed to support investment by agricultural tenancies in Scotland, SLPs were a particularly attractive vehicle for those who wanted to operate in secret because of their additional features. They did not require individual beneficial owners to be named at all and they had limited reporting requirements.⁹⁷

For SLPs there was no need to file accounts at Companies House, there was no requirement to hold a UK bank account and there was no demand to pay UK tax.⁹⁸ So they provided an ideal legal status giving a veneer of British respectability to those wanting to engage in economic crime. The money may have been laundered into another country, but the transactions were facilitated by poorly regulated, but respectable company structures here in Britain.

There was an explosion in SLPs that were established as the UK started to become the jurisdiction of choice for those seeking secrecy, with the total number increasing by 430 per cent between 2007 and 2016.⁹⁹ They were mostly established through shell companies and 7 out of 10 were based in secret tax havens.¹⁰⁰ The Government has started to tighten up the rules governing SLPs, but it is a case of too little too late.

More recently we have been made aware of a shocking example of a UK shell company being associated with the most terrible events elsewhere in the world. At the beginning of August 2020 a massive explosion of ammonium nitrate stored in a warehouse in the port of Beirut killed over 200 people, injured 7,500 individuals, rendered 300,000 people homeless and created billions of dollars of damage.¹⁰¹ The explanation given at the time was that the ammonium nitrate had been bought by a Portuguese firm from a company in Georgia and that it was destined to be used as fertilizer in Mozambique.¹⁰² It had been transported on a Russian boat, but its journey had been halted in Lebanon because of technical difficulties with the vessel.¹⁰³ It was while docked in Beirut that the fertilizer was moved to a warehouse before eventually igniting and causing the devastating blast.¹⁰⁴ It later emerged that the company that bought the ammonium nitrate, Savaro Ltd, was incorporated in the UK at 10 Great Russell Street in London, by a woman who ran a company formation agency in Cyprus.¹⁰⁵ This woman, Marina Psyllou, was listed as both the beneficial owner and the company secretary.¹⁰⁶ Savaro is effectively a shell company,

97 Ibid., p. 14.

98 Department for Business, Energy and Industrial Strategy, 'Register Of People With Significant Control Guidance For People With Significant Control Over Companies, Societates Europaeae, Limited Liability Partnerships And Eligible Scottish Partnerships,' June 2017, 170623_NON-STAT_Guidance_for_PSCs_4MLD.pdf (publishing.service.gov.uk)

99 Richard Murphy, 'There were more Scottish Limited Partnerships set up last year than in a preceding century,' Tax Research UK, 24 June 2017, <http://www.taxresearch.org.uk/Blog/2017/06/24/there-were-more-scottish-limited-partnerships-set-up-last-year-than-in-a-preceding-century/>

100 Ibid.

101 House of Commons Library, 'Lebanon: One year on from the Beirut explosion,' UK Parliament, 3rd August 2021, <https://commonslibrary.parliament.uk/lebanon-one-year-on-from-the-beirut-explosion/>

102 OCCRP and Partners, 'A Hidden Tycoon, African Explosives, and a Loan from a Notorious Bank: Questionable Connections Surround Beirut Explosion Shipment,' OCCRP, 21 August 2020, <https://www.occrp.org/en/investigations/a-hidden-tycoon-african-explosives-and-a-loan-from-a-notorious-bank-questionable-connections-surround-beirut-explosion-shipment>

103 Ibid.

104 Tom Bergin, 'British lawmakers seek investigation into UK-registered firm possibly linked to Beirut blast,' Reuters, January 23 2021, <https://www.reuters.com/article/uk-lebanon-crisis-blast-britain-idUKKBN29S014>

105 Companies House, 'SAVARO LIMITED,' Accessed 14 October 2021, <https://find-and-update.company-information.service.gov.uk/company/05841913/filing-history>

106 Ibid.

itself owned by another shell company – Interstatus Ltd – of which Psyllou is again listed as the major shareholder.¹⁰⁷

After the explosion Psyllou was approached by lawyers and journalists and she denied that she was the true beneficial owner.¹⁰⁸ The company was described by her as being dormant and it had therefore not submitted any tax returns – although the fact that it was trading in ammonium nitrate meant that it was anything but dormant.¹⁰⁹ So Savaro Ltd had contravened two laws, firstly by apparently lying about the identity of the beneficial owner to Companies House and secondly by claiming to HMRC that the company was dormant. Marina Psyllou tried to deregister the company, but after being contacted by lawyers representing victims and investigative journalists searching for the truth, I wrote to the Business Secretary Kwasi Kwarteng and he agreed to halt the liquidation while investigations were pursued.¹¹⁰

Those investigating the cause of the terrible explosion were convinced that there was a very different story behind it. Initially, there was a suspicion that the beneficial owners are three Russian-Syrian businessmen with close links to President Bashar al- Assad in Syria.¹¹¹ It has since been discovered that the true owner, through a complex web of shell companies based in many jurisdictions, is a Ukrainian businessman called Volodymyr Verbonol.¹¹² And shockingly, according to the FBI in the United States, only 20 per cent of the fertiliser ever exploded, meaning that the majority of it may have been taken elsewhere. According to investigators, a suspicion remains that the ammonium nitrate was never intended to be used for fertiliser in Mozambique. Much of it may have instead been used to make the barrel bombs that Bashar al-Assad was dropping on the civilian population in Syria.¹¹³ If this is true we need to recognise that our permissive regulatory framework played a part in an appalling tragedy that affected the lives of many thousands in Lebanon and Syria.

Golden visas

Securing residency and citizenship in the United Kingdom represents another of the building blocks that are exploited by those with money derived from dubious origins and who seek legitimacy and respectability. The Tier 1 (Investor) visa, or “golden visa”, has been exploited by many who wish to bring their money into the UK or use the UK to mover their money across the world.

Investment visas have existed in the UK since 1994 but today’s Tier 1 (Investor) visa was introduced by the Labour government in 2008,¹¹⁴ designed to ease the route to citizenship and residency for high net worth individuals and their dependants who, it was hoped, would bring

107 Mark Mackinnon, ‘Paper trail in Beirut explosion inds back to London address used by shell companies’, The Globe and Mail, March 2021, <https://www.theglobeandmail.com/world/article-paper-trail-in-beirut-explosion-winds-back-to-london-address/>

108 Bergin, ‘British lawmakers seek investigation into UK-registered firm possibly linked to Beirut blast.’

109 Ibid.

110 Margaret Hodge, ‘Today I wrote to @KwasiKwarteng to demand the Govt investigate a British-based company with possible links to the tragic explosion in Beirut last year. Savaro Ltd is flagrantly attempting to evade prosecution & has falsified information with Companies House. Justice must be done,’ Twitter Status, 28 January 2021, https://twitter.com/margarethodge/status/1354852031207501831?ref_src=twsrc%5Ftfw

111 Ellen Francis, Tom Bergin, Maria Tsvetkova, ‘Beirut blast chemicals possibly linked to Syrian businessmen – report, company filings’, Reuters, January 17 2021, <https://www.reuters.com/article/uk-lebanon-crisis-blast-idUSKBN29M0AJ>

112 OCCRP, ‘Ownership of chemicals that exploded at Beirut port traces back to Ukraine’, September 2021, <https://www.occrp.org/en/investigations/ownership-of-chemicals-that-exploded-at-beirut-port-traces-back-to-ukraine>

113 Ibid.

114 Spotlight on Corruption, ‘New Briefing: Red Carpet for Dirty Money – The UK’s Golden Visa Regime,’ <https://www.spotlightcorruption.org/new-briefing-red-carpet-for-dirty-money-the-uks-golden-visa-regime/>

their wealth and invest in the UK economy. The Government's talk about wanting to attract and retain the “brightest and the best” to the UK. Qualifying was straightforward. Foreign nationals had to invest a minimum of £1 million in UK bonds, share capital or companies. The minimum was raised to £2 million in 2014. With a £2million investment, the individuals could apply to settle within five years; with £5 million the wait reduced to three years; with £10 million it was just two years.¹¹⁵

In 2014, the numbers using this route to UK citizenship peaked with 1,172 individuals entering Britain. Government data shows that 60 per cent of all golden visas were granted to people from Russia and China.¹¹⁶ Meanwhile, an analysis by the Migration Advisory Committee established that the refusal rate for migrants using the golden visa route was very low when compared with people seeking asylum or trying to get a work permit.¹¹⁷ In other words, Britain's doors were left wide open to those with money. Consequently the scheme quickly became a favourite route for questionable individuals who wanted to move their illicit finance and launder it in the UK economy.

From 2008 to 2015 – when the rules were tightened – there were minimal due diligence checks taken out on golden visa applicants. Over 3,000 individuals entered the country during this time which became known as the “blind faith” period.¹¹⁸ Prospective movers did not require a UK bank account to obtain a visa and when people did bring their money in and wanted to open bank accounts, the banks did not carry out stringent anti-money laundering checks.¹¹⁹ They instead accepted the visas as evidence that checks had been carried out by the UK authorities while the authorities, in a shocking oversight, thought that the due diligence had been carried out by the banks. As the Intelligence and Security Committee report on Russia said, “it would appear that the UK has been viewed as a particularly favourable destination for Russian oligarchs and their money. It is widely recognised that the key to London's appeal was the exploitation of the UK's investor visa scheme”.¹²⁰

There are many examples of people gaining entry despite substantial doubts about how they acquired their wealth. Zamira Hajiyeveva, originally of Azerbaijan, gained entry into the UK through the scheme and was later subject to the first Unexplained Wealth Order (which I will explore later in this paper).¹²¹ A Russian businessman, Alexander Perepilichnyy, who Interpol suspected of fraud, money laundering and abuse of power, gained entry to the UK with a golden visa.¹²² And

115 Ibid.

116 Kate Allen, ‘UK taxpayers ‘paying wealthy foreigners to come’, Financial Times, 20 October 2015, UK taxpayers ‘paying wealthy foreigners to come’ | Financial Times ([ft.com](https://www.ft.com))

117 Migration Advisory Committee, ‘Annual Report 2017-2018,’ October 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/770635/MAC_Annual_Report_17-18.pdf, p.12.

118 Spotlight on Corruption, ‘The UK's Golden Visa scheme needs urgent reform and greater transparency to address national security risk,’ 4th October, 2021, <https://www.spotlightcorruption.org/the-uks-golden-visa-scheme-needs-urgent-reform-and-greater-transparency-to-address-national-security-risk/#:~:text=Spotlight%20has%20also%20learnt%20via%20a%20Freedom%20of,the%20Home%20Office%20for%20national%20security%20risks.%20%281%29>

119 Ibid.

120 Intelligence and Security Committee, ‘Russia Report,’ July 2020, https://isc.independent.gov.uk/wp-content/uploads/2021/03/CCS207_CCS0221966010-001_Russia-Report-v02-Web_Accessible.pdf, p.15.

121 National Crime Agency, ‘Court dismisses UWO appeal by Zamira Hajiyeveva,’ 5 February 2020, <https://nationalcrimeagency.gov.uk/news/court-dismisses-uwo-appeal-by-zamira-hajiyeveva>

122 BBC News, ‘Alexander Perepilichnyy: The questions raised by Russian whistleblower inquest,’ 19 December 2018, <https://www.bbc.co.uk/news/uk-43767428>

a former Bangladeshi army colonel, Mohammed Shahid Uddin Khan, who has been sentenced to nine years in prison in Bangladesh for a range of offences – from tax evasion and illegal arms dealing to funding terrorism and money laundering – gained entry to the UK in 2009 under the Tier 1 scheme.¹²³ He has donated to the Conservative Party.¹²⁴

After the Skripal nerve poisoning in Salisbury, Theresa May said that she was going to crack down on the Tier 1 (Investor) visa abuse, a scheme over which she had presided over as Home Secretary.¹²⁵ When she was in that role in 2018 Amber Rudd told the Home Affairs Select Committee that her department was investigating 700 Russian millionaires who had come to the UK under the Tier 1 scheme between 2008 and 2015 to see whether their wealth was, in fact, dirty money.¹²⁶ And the then Home Office Minister, Ben Wallace, assured me in Parliament in 2018 that “we will be looking at that tier to make sure we do better due diligence, if we need to, on where the money comes from”.¹²⁷ According to answers to questions I have tabled in Parliament, the Home Office is currently reviewing every golden visa granted in the blind faith period.¹²⁸ However, over three years later we still await the results of that inquiry.

Despite an early drop in applications when the 2015 reforms were introduced, there has been a steady increase in applications thereafter, with an increase of over 60 per cent in 2017, a further 7.4 per cent increase in 2018 and numbers rising steadily since, although the latest data shows that the number fell in 2020 during the pandemic.¹²⁹ Promises to close the scheme have been scrapped and the gate still remains open to those who may want to exploit it for nefarious purposes. Yet another feature of the legal framework in the UK that is facilitating global financial crime.

Property

The UK property market is highly vulnerable to being exploited by those who want to hide wealth or launder money.¹³⁰ The value of real estate in the UK, especially in London, is very high and so buying UK property is a good way of getting a lot of money into the legitimate economy. And at present there is no transparency for overseas buyers, so it is easy to hide the identity of the true beneficial owner.¹³¹ Given the complex corporate structures used to disguise both the transactions and the identities of those involved, it is difficult – and expensive – to track

123 New Age Bangladesh, ‘Former colonel Shahid Uddin sentenced to 9 years in jail’, December 2020, <https://www.newagebd.net/article/124825/former-colonel-shahid-uddin-sentenced-to-9-years-in-jail>; Tom Harper, ‘Tory donor charged with arms dealing and funding terrorism,’ The Times, May 26 2019, <https://www.thetimes.co.uk/article/tory-donor-charged-with-arms-dealing-and-funding-terrorism-mqc5bt2td>

124 Tom Harper, ‘Tory donor charged with arms dealing and funding terrorism.’

125 Daniel Waldron and Sanwar Ali, ‘UK Tier 1 investor visa targeted by May after nerve-agent poisoning,’ Work Permit, 5th June 2018, <https://workpermit.com/news/uk-tier-1-investor-visa-targeted-may-after-nerve-agent-poisoning-20180506>

126 Home Affairs Select Committee, ‘Oral Evidence: work of the Home Secretary, HC 434’, March 2018, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/home-affairs-committee/the-work-of-the-home-secretary/oral/80943.pdf>

127 The Minister for Security and Economic Crime, ‘Money Laundering: Volume 638: debated on Monday 19 March 2018,’ Hansard, <https://hansard.parliament.uk/Commons/2018-03-19/debates/DF041D5B-2B02-4CBA-A173-6A04D2475476/MoneyLaundering>

128 Rt Hon Dame Margaret Hodge MP, ‘Written Questions,’ UK Parliament, <https://members.parliament.uk/member/140/writtenquestions>

129 Farzin Yazdi, ‘Q4 2020: The UK issued 52 UK Tier 1 (Investor) visa to main applicants,’ Shard Capital, February 2021, <https://www.shardcapital.com/q4-2020-the-uk-issued-52-uk-tier-1-investor-visas-to-main-applicants/>

130 George Hammond, ‘Foreign ownership of homes in England and Wales triples,’ Financial Times, 2021, <https://www.ft.com/content/e36cec28-7acd-4154-b57d-923b5d1610da>

131 Transparency International, ‘United Kingdom Beneficial Ownership Transparency,’ 2015, https://www.transparency.org/files/content/publication/2015_BOCountryReport_United_Kingdom.pdf, pp.1-2.

down wrongdoers. But the problem will not go away and property remains a favoured route that contributes to making the UK a jurisdiction of choice for kleptocrats and criminals.¹³²

There has been much research into the abuse of the UK property market by wealthy foreigners. Private Eye and two NGOs – Global Witness and Transparency International UK – have undertaken investigations in order to try to capture the nature and size of the problem. They have all exposed dubious individuals who hide their money in the UK through property. The model used often involves establishing a shell company in a foreign jurisdiction, usually a tax haven like the BVI, and then purchasing property through that anonymous overseas company.¹³³ The owners of large mansions, expensive flats, or commercial real estate can therefore remain hidden from scrutiny by abusing that secrecy.

In an extensive investigation, Private Eye looked at all the properties that were acquired by overseas companies in the UK between 2005 and 2014.¹³⁴ They found nearly 100,000 relevant properties which had been purchased in that time and put a value of some £170 billion on them.¹³⁵ That value will have increased to well over £200 billion today. That is a huge amount of potentially dirty money that has entered unchecked into our jurisdiction. Of course, sometimes there can be legitimate reasons for anonymous property ownership. And in other cases, it will be British citizens using this ploy to avoid tax or to escape inheritance duties. However, much of this real estate will have been bought by rich overseas individuals with offshore companies in order to launder their questionably accrued money.¹³⁶

The companies analysed by Private Eye were mostly registered in tax havens. The BVI topped the list as the favoured jurisdiction, with Jersey, the Isle of Man and Guernsey close behind.¹³⁷ The origin of the wealth is hidden and the secrecy of our property ownership rules coupled with our relationship with our British tax havens makes us an attractive proposition for money launderers.

Private Eye found that the Crown Estate had sold 120 of its properties to companies registered in fourteen different tax havens, with most being BVI companies.¹³⁸

Just one example they identified was the palatial residence in Regents Park, 1 Cambridge Gate, that is now owned by the Russian oligarch Vladimir Chernukhin through a BVI-registered company.¹³⁹ The 18th century home of the then Prince of Wales, Park Place in Henley, was

132 John Heathershaw, Alexander Cooley, Tom Maine et al., The UK's kleptocracy problem – how servicing post-Soviet elites weakens the rule of law (Chatham House, 2021), <https://www.chathamhouse.org/sites/default/files/2021-12/2021-12-08-uk-kleptocracy-problem-heathershaw-mayne-et-al.pdf>

133 Margot Gibbs and Agustin Armendariz 'Secret real estate purchases are a driving force behind the offshore economy,' International Consortium of Investigative Journalists, 2021, <https://www.icij.org/investigations/pandora-papers/secret-real-estate-purchases-are-a-driving-force-behind-the-offshore-economy/>

134 Richard Brooks & Christian Eriksson, 'Tax havens Selling England by the offshore pound,' Private Eye, 2016, https://www.private-eye.co.uk/pictures/special_reports/tax-havens.pdf

135 Ibid.

136 Simon Goodley and Joseph Smith, 'Revealed: pandora papers unmask owners of offshore-held UK property worth £4bn,' The Guardian, 2021, <https://www.theguardian.com/news/2021/oct/05/pandora-papers-reveal-true-owners-offshore-held-uk-property-london>

137 Brooks & Eriksson, 'Tax havens Selling England by the offshore pound,' p. 6. 187 Ibid., p. 10.

138 Ibid., p. 10.

139 Ibid., p. 3.

acquired by the former President of the Bank of Moscow through a BVI company. Lakshmi Mittal, the steel magnate, owns a 300 acre estate in Cranleigh through a BVI company.¹⁴⁰ A 62,000 acre estate in the North West Highlands is owned by the Prime Minister of the United Arab Emirates, Mohammed bin Rashid Al Maktoum, through a Guernsey company.¹⁴¹ The wife of a Lebanese billionaire, May Makhzoumi, who has donated over £1 million to the Conservative Party, lives in a property in Kensington that the family own through a Panamanian company.¹⁴² And both the Marquess of Salisbury and the Conservative hereditary peer, Lord Rotherwick, own their homes through Jersey-based companies, presumably to avoid taxes and inheritance duties.¹⁴³

Transparency International, working with Panorama, produced evidence in 2017 of the infiltration of the London property market by buyers whose wealth was considered suspicious. They alleged that as much as £4.2 billion had found its way from suspect sources into the London property market.¹⁴⁴ Later in 2019, Global Witness produced a report in which they claimed that over 87,000 properties in England and Wales are owned by anonymous companies.¹⁴⁵ They too identified a concentration in central London, stating that 10,000 properties in Westminster and 5,729 in Kensington and Chelsea were owned anonymously through companies registered in tax havens. They found that the ownership of one in five of the properties they identified could be traced back to Russian oligarchs, and they found that one in six of all the houses on the market in the two central London boroughs over three years fell into the hands of a secret offshore company.¹⁴⁶ Cadogan Square in Knightsbridge hosts at least 134 secretly owned properties and Buckingham Palace Road is also home to a large number of foreign-owned properties.¹⁴⁷ Transparency International stated that new build luxury developments were often targeted, and found that in 14 landmark London developments, nearly 40 per cent of the homes were bought by people from high-risk jurisdictions or companies based in secrecy jurisdictions.¹⁴⁸

Their reports name some dubious individuals. For instance, the Ukrainian oligarch, Dmitry Firtash, who faces corruption charges in the US which he denies, owns a £53 million mansion in Kensington and Chelsea¹⁴⁹. The Mayor of Odessa, Gennadiy Trukhanov, who has been named as part of a Ukrainian crime syndicate and who was revealed in the Panama Papers to be enjoying a huge personal fortune through companies registered in the BVI, bought property in the block of flats in Knightsbridge where TS Eliot had lived.¹⁵⁰ James Ibori, who was governor of Delta State in Nigeria between 1999 and 2007, was also named. He was eventually found guilty

140 Ibid., p. 10.

141 Ibid., p. 6.

142 Ibid., p. 8.

143 Ibid., p. 4.

144 Transparency International, 'Faulty Towers: Understanding the impact of overseas corruption on the London property market,' March 2017, https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_Faulty_Towers_August_24.pdf

145 Global Witness, '£100bn of property in England and Wales is secretly owned, estimates show,' March 17, 2019, <https://www.globalwitness.org/en/press-releases/100bn-of-property-in-england-and-wales-is-secretly-owned-estimates-show/#:~:text=New%20Global%20Witness%20analysis%20reveals%20that%20over%2087%2C000,when%20accounting%20for%20inflation%20and%20missing%20price%20data%20>.

146 Ibid.

147 Ibid.

148 Transparency International, 'Faulty Towers,' p. 10.

149 Martin Elvery, 'The abandoned London Underground station sold to a Ukrainian billionaire for £53 million,' MyLondon, 2021, <https://www.mylondon.news/news/nostalgia/abandoned-london-underground-station-sold-21129303>

150 Anna Babinets and Elena Loginova, 'The Odessa Mafia's Secret Flats in London,' Organised crime and Corruption Reporting Project, 2018, <https://www.occrp.org/en/paradisepapers/the-odessa-mafias-secret-flats-in-london>

in the UK of 10 counts of fraud and money laundering, having embezzled millions of pounds from Nigeria through a network of offshore trusts. When the authorities seized his assets, they included a house in Hampstead, property in Dorset, a fleet of armoured Range Rovers and a Bentley Continental GT.¹⁵¹ Finally, when Gaddafi was toppled in Libya the authorities froze the £10 billion of funds the family held in the UK, including a home in Hampstead.¹⁵²

A recent report in the *Financial Times* on the property market during Covid, found that while there had been a 24 per cent drop in property sales during July and August 2020, the sale of luxury properties over £5 million was up by 31 per cent.¹⁵³ The suspicion is that these sales were financed by dodgy money. All the professionals involved from estate agents, to letting agents, lawyers and accountants are legally bound to report suspicious activity under the Money Laundering Regulations.¹⁵⁴

However, few do and the enforcement agencies are not active in pursuing these enablers. Further recent research by the Centre for Public Data using freedom of information requests found that the number of properties owned by people living overseas has tripled in the last decade and that nearly 250,000 UK properties – roughly 1 per cent of the total housing stock in the country – is now owned by people who are based overseas.¹⁵⁵

And finally, the Pandora Papers¹⁵⁶ helped further our understanding of how property ownership in the UK or held through UK registered companies and UK tax haven companies, sits at the heart of much crime, tax avoidance and money laundering.

Some jurisdictions – like Germany, Singapore and Hong Kong – ban foreigners from owning or leasing property, or at least failing to occupy the properties they own.

David Cameron promised in 2015 that he would legislate to create a public register of beneficial ownership of the offshore or overseas owners of UK properties to tackle the problem of secrecy.¹⁵⁷ If we knew who owned the properties, it would be easier to trace the wealth involved and its source.

It took three years to produce draft legislation, but that has been literally “oven ready” since 2018 and the present Government has yet to bring a bill before Parliament. That is despite the Government committing to this measure in both the 2019 Queen’s Speech¹⁵⁸ and the 2021

151 Spotlight on Corruption, ‘James Ibori: Confiscating the corrupt assets of a Nigerian Governor,’ 2020, <https://www.spotlightcorruption.org/james-ibori-confiscating-the-corrupt-assets-of-a-nigerian-governor/>

152 John Geoghegan, ‘Investigators trace £1 billion Gaddafi assets in London,’ Evening Standard, 2012, <https://www.standard.co.uk/hp/front/investigators-trace-ps1-billion-gaddafi-assets-in-london-6365325.html>

153 Anna Clare Harper, ‘Covid-19 set to change what consumers want from property,’ FT Advisor, 11 September 2020, <https://www.ftadviser.com/investments/2020/09/11/covid-19-set-to-change-what-consumers-want-from-property/>

154 Ibid.

155 Centre for Public Data, ‘New data: property in England and Wales owned by overseas individuals,’ 2021, <https://www.centreforpublicdata.org/blog/new-data-property-in-england-amp-wales-owned-by-overseas-individuals>

156 International Consortium of Investigative Journalists, ‘Pandora papers,’ ICIJ, 2021 <https://www.icij.org/investigations/pandora-papers/>

157 Public register of beneficial ownership of UK property by companies and other legal entities registered outside the UK. Sanctions and Anti-Money Laundering Bill [Lords] – in a Public Bill Committee at 2:30 pm on 6th March 2018, They Work For You, accessed 14 October 2021, https://www.theyworkforyou.com/pbc/2017-19/Sanctions_and_Anti-Money_Laundering_Bill/06-0_2018-03-06c.143.1

158 Prime Ministers Office, ‘The Queens Speech 2019,’ 19 December 2019, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf

G7 summit in Cornwall.¹⁵⁹ One is left wondering whether the delay is intentional and whether the Government does not actually want to protect this market in money laundering that is flourishing in Britain.

Fighting back

We may be losing the fight against dirty money, but the war is not yet lost. While every new leak or scandal makes for depressing reading, the reality is that progress is being made around the world. The increasing normalisation of beneficial ownership transparency means that we can more easily follow flows of illicit finance than ever before. What is most concerning, however, is how in a few short years the UK has gone from briefly being a world leader in this space to a laggard follower.

From the Thatcher era to the Blair/Brown years, deregulation and unquestioning support for the booming financial services sector created the conditions that allowed wrongdoing to take place. When civil society, the media and MPs started to lift the lid on these unacceptable practices after 2010, both David Cameron and George Osborne understood that they had to engage in reform. Government efforts to tackle illicit finance peaked in 2016, the year that the global Anti-Corruption Summit was held in London.¹⁶⁰ But after the EU referendum, Theresa May's administration was diverted from the task by Brexit and the present Government seems unwilling to act, perhaps because of their unfounded fear of inflicting further damage on the economy. In some cases, such as the international negotiations on global tax reform led by the OECD, the UK has even been a deliberate obstructor to reform.¹⁶¹ There are in fact a whole raft of pragmatic and practical reforms that our Government should put in place to start tackling the UK's role as a key facilitator in the world's dirty money crisis. Here are some of the ways we could fight back.

Regulation

Throughout this paper, I have shown that there are features in our corporate structures and our regulatory framework that make us an attractive location for financial crime. Yet there are steps that the Government could immediately take that would help to clamp down on these flaws and loopholes, thus strengthening our regulatory defences against dirty money. The regulation of UK corporate vehicles is one such area. Setting up a company in the UK is cheap and easy. The limited powers that Companies House currently enjoy and the lack of proper funding means that there is little they do to check, verify and police the information provided by those setting up a company.

The UK was one of the first jurisdictions to introduce public registers of beneficial ownership

159 HM Treasury, 'G7 Factsheet – beneficial ownership,' Gov.uk, 5 June 2021, <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communique/g7-factsheet-beneficial-ownership>

160 Gov.UK, 'Anti-Corruption Summit 2016', <https://www.gov.uk/government/topical-events/anti-corruption-summit-london-2016/about>

161 George Parker, Chris Giles, Emma Agyemang and Jim Pickard, 'UK withholds backing for Biden's global business tax plan', Financial Times, May 2016, <https://www.ft.com/content/a249285a-796f-40e3-a00a-f1398e249ef9>

in 2016.¹⁶² If information on the register were accurate, these registers would tell us in an open manner exactly who it is that owns more than 25 per cent of a company. That vital transparency has been the first piece of the puzzle, although everyone acknowledges that the quality of the data is poor. It has nevertheless helped us better understand how our corporate structures are abused and how poorly the regulatory regime delivers in practice. By revealing the scale of the problem, it has really helped to lift the lid on financial crime. In 2017 the Companies House “people with significant control” register was accessed 2 billion times; journalists, civil society activists, regulatory bodies and others have been able to interrogate the data, as have companies who may be interested in better understanding their competitors in the market.¹⁶³

According to Companies House data, around 60 per cent of the companies that are registered with them are created by Trust and Company Service Providers (TCSPs), based both in the UK and abroad.¹⁶⁴ These providers are supposed to be regulated by HMRC which maintains a list of approved agents and which does have powers to issue penalties, civil charges, or even criminal prosecutions when the rules have been broken.¹⁶⁵ However, in practice there is little supervision of company formation agents and there is no visibility to the public of how and whether they are supervised and how many investigations and actions have been taken against those who do not comply with the rules.

Some of the results revealed by the beneficial ownership data at Companies House are very worrying. In 2018 Global Witness analysed data on over four million registered companies.¹⁶⁶ They found 10,000 companies that named a foreign company as the beneficial owner; 72 per cent of those companies were linked to a tax haven.¹⁶⁷ They found the same individual beneficial owner mentioned as controlling as many as 100 companies in 9,000 cases.¹⁶⁸ They found companies where the beneficial owner was a disqualified director.¹⁶⁹ They found nearly 8,000 companies where either the beneficial owner or the address was shared with a company suspected of money laundering.¹⁷⁰ They found the same registration address being used by over 100 companies in more than 200,000 cases.¹⁷¹

All of this demonstrates that the scant oversight of company registration, the actions of company formation agents, all coupled with the miniscule charges levied, make us an easy target for those seeking to abuse the system. People set up shell companies, with fake beneficial owners, using a post box address, often with bank accounts based in other jurisdictions to give a semblance of respectability that helps them hide their nefarious activities. Meanwhile

162 HM Treasury, ‘Policy paper: G7 Factsheet – beneficial ownership,’ Gov.uk, 5 June 2021, <https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communicue/g7-factsheet-beneficial-ownership>

163 Companies House, ‘Annual Report and Accounts 2016/17,’ House of Commons, July 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633763/CompaniesHouse_AnnualReport_2017_web_version.pdf, p.4.

164 Transparency International, ‘Hiding In Plain Sight How UK Companies Are Used To Launder Corrupt Wealth,’ November 2017, https://www.transparency.org.uk/sites/default/files/pdf/publications/HidingInPlainSight_WEB3.pdf, p.24.

165 Ibid., p. 44.

166 Global Witness, ‘THE COMPANIES WE KEEP: What the UK’s open data register actually tells us about company ownership,’ accessed 14 October 2021, <https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/anonymous-company-owners/companies-we-keep/#chapter-0/section-0>

167 Ibid.

168 Ibid.

169 Ibid.

170 Ibid.

171 Ibid.

trust and company service providers are frequently the enablers of those engaged in using our corporate structures for wrongdoing. The Government itself wrote in 2017 when it assessed the risk of money laundering: “Criminals continue to make use of third party TCSPs, to establish the structures within which illegitimate activity subsequently takes place.”¹⁷² The National Crime Agency has also identified TCSPs as key enablers in high-end money laundering.¹⁷³

Formations House is one of the most notorious company formation agents. In 2016, Oliver Bullough, writing in the *Guardian*, visited the address they used at 29 Harley Street.¹⁷⁴ At the time the house was the registration address for 2,159 companies.¹⁷⁵ There were instances of companies registered there being involved in a terrible fraud affecting people around the world, VAT scams, unlawful exploitation of the UK film tax relief and money laundering.¹⁷⁶ One woman, thought to be related to the owners of the company formation agency, was named as a director of 1,560 companies that had been set up through Formations House.¹⁷⁷ The company was also involved in setting up companies throughout the world. Harley Street was the centre of an industrial enterprise that established shell companies, with nominee directors, disguising the beneficial ownership and facilitating tax avoidance and financial crime.¹⁷⁸ By 2019 a further investigation by the *Times* found that the company boasted that they had created over 400,000 companies since their inception.¹⁷⁹ The directors of at least 40 of the companies they had created had been disqualified from holding directorships and the owner’s grandmother was still a nominee director and signed off company accounts although she was dead.¹⁸⁰

Data from the FinCEN Files found that a business suite on the second floor of a building just off Potters Bar High Street was used as the address for over 1,000 UK registered companies; 200 of these companies were named in suspicious activity reports revealed in the data leak.¹⁸¹ They also shone a light on the notorious case of the Brussels-based dentist, Ali Moulaye, whose signature appeared on the financial statements for thousands of UK companies – he claimed the signatures were forged when he was approached by investigative journalists.¹⁸² Furthermore, another investigative journalist, Tom Bergin investigated the role of company formation agents in enabling 1.3 million transactions involving billions of pounds that originated in Russia and Eastern Europe. This money passed through two American banks using UK registered

172 HM Treasury, ‘National risk assessment of money laundering and terrorist financing 2017,’ Crown copyright, October 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655198/National_risk_assessment_of_money_laundering_and_terrorist_financing_2017_pdf_web.pdf, p.63.

173 Ibid., p. 9.

174 Oliver Bullough, ‘Offshore in central London: the curious case of 29 Harley Street,’ *The Guardian*, 19 April 2016, <https://www.theguardian.com/business/2016/apr/19/offshore-central-london-curious-case-29-harley-street>

175 Ibid.

176 Ibid.

177 Ibid.

178 Ibid.

179 David Brown, Christian Eriksson, George Greenwood, Emma Yeomans, Alex Ralph and Katie Gibbons, ‘Global web of firms for fraudsters created by British company Formations House,’ *The Times*, December 2019, <https://www.thetimes.co.uk/article/global-web-of-firms-for-fraudsters-created-by-british-company-formations-house-5sb8zb238>

180 Ibid.

181 FinCEN Intelligence Assessment, ‘Moscow Mirror Network Demonstrated Anti-Money Laundering Vulnerability in Global Securities Market,’ <https://www.documentcloud.org/documents/7213796-FinCEN-Mirror-Trades-Intelligence-Assessment.html>

182 Karrie Kehoe, FINCEN FILES: How signatures in public data helped expose the UK’s dirty money cottage industry,’ International Consortium of Investigative Journalists, February 10 2021, <https://www.icij.org/investigations/fincen-files/how-signatures-in-public-data-helped-expose-the-uks-dirty-money-cottage-industry/>

companies and limited liability partnerships, then ultimately found its way into the system in jurisdictions across the world.¹⁸³

These examples – and all the big leaks of the past few years – reveal the key role played by UK corporate vehicles in global financial crime. The Government has promised to reform Companies House so that it is no longer simply a library and they have promised to give the registrar the powers to police the records kept there.¹⁸⁴ But although the need is immediate, the legislation remains a distant promise. There must be much stronger requirements for Companies House to verify the information that it holds and ensure accuracy of the data. The identities of those claiming to be beneficial owners of companies must be checked. Companies House needs new powers and duties to challenge the information they receive and to work with enforcement agencies to interrogate, check and investigate companies suspected of using our corporate structures for illicit purpose. Companies House needs to be appropriately resourced so that it can do the job properly. If the cost of setting up a company were increased from £12 to £50, with 500,000 new incorporations each year – the current figure – that would provide ample extra resources to enable us to enjoy a strong and vigorous agency.

The supervision of company formation agents by HMRC also requires strengthening.

The system must be both transparent and vigorous with robust enforcement of the agents' duties to ensure money laundering regulations are being implemented. HMRC should be required to report annually on its regulatory and enforcement activities of these enablers. Offshore providers should be barred from setting up companies in the UK. And that means Government must demonstrate the political determination to sort out the mess and to root out the abuse and crime that our systems presently encourage.

Enforcement

Not only have successive governments presided over a period of deregulation and thus ignored the need for regulatory reforms to combat financial crime, we do not effectively enforce existing laws in the UK. In stark contrast, enforcement is much more robust in the US. Take Standard Chartered, a British-headquartered bank as one example. It was issued fines in 2019 for money laundering offences and for breaching sanctions. In the UK, this amounted to £102 million while in the US the bank was fined a staggering £842 million.¹⁸⁵ There are some mitigating factors at play. The US is a major financial centre, the dollar is a global currency, and America is a bigger market. Yet that does not mean we should not be performing much better when it comes to enforcement. Our enforcement bodies are under-resourced and they are struggling to apply existing laws to fight financial crime. Too often they are discouraged from taking potential wrongdoers to court.

One example is Unexplained Wealth Orders (UWOs). They were introduced in 2018 following a

183 Tom Bergin, 'Insight – How UK company formation agents fuel fraud,' Reuters, 18 March 2016, <https://www.reuters.com/article/uk-regulations-agents-insight-idUKKCN0WK17W>

184 UK Government, 'Reforms to Companies House to clamp down on fraud and give businesses greater confidence in transactions,' Gov.uk, 18 September 2020, <https://www.gov.uk/government/news/reforms-to-companies-house-to-clamp-down-on-fraud-and-give-businesses-greater-confidence-in-transactions>

185 Financial Conduct Authority, 'FCA fines Standard Chartered Bank £102.2 million for poor AML controls,' 9th April 2019, <https://www.fca.org.uk/news/press-releases/fca-fines-standard-chartered-bank-102-2-million-poor-aml-controls>

campaign spearheaded by Transparency International UK. UWOs allow authorities to identify and confiscate property suspected of having been bought with laundered criminal funds and other assets related to any suspected wrongdoing.¹⁸⁶

The important change this legislation introduced was that the authorities did not have to prove that a crime had been committed to secure the unexplained wealth. The burden of proof fell on the individual whose assets were being seized and they had to demonstrate that they had made their fortune legitimately.¹⁸⁷ UWOs quickly gained the moniker of “McMafia” laws, named after a book by Mischa Glenny that was turned into a BBC drama.¹⁸⁸

When the Government was considering the legislation, then Prime Minister David Cameron said in a speech in Singapore in July 2015:

“I’m determined that the UK must not become a safe haven for corrupt money around the world. We need to stop corrupt officials or organised criminals from using shell companies to invest their ill-gotten gains in London property without tracking them down ... There is no place for dirty money in Britain. Indeed there should be no place for dirty money anywhere. This is my message to foreign fraudsters: London is not a place to stash your dirty cash.”¹⁸⁹

Cameron’s government undertook a review of legislation that had been in place since 1998, originally introduced by Tony Blair’s government.

UWOs enable law enforcement authorities to apply to the High Court for an order requiring individuals to explain how they bought any property or asset valued over £50,000, when its value appears to be disproportionate to their legitimate income.¹⁹⁰ They can only be issued against high-ranking officials, who are classified as “politically exposed persons” or against individuals suspected of having links with organised crime.¹⁹¹ If the individuals cannot provide a reasonable explanation within a prescribed time limit, the authorities can seize the property or assets and, where appropriate, return the money they recover from sale of the assets to the country from which it was stolen.¹⁹²

Hopes were high that this new offence would help to bear down on the escalation of money being laundered into Britain. The first UWO was successfully issued against the wife of a leading figure in the Azerbaijan ruling elite.¹⁹³ Zamira Hajiyeva is married to the former Chairman of the International Bank of Azerbaijan – a bank that had to

186 Transparency International, ‘Unexplained Wealth Orders: A Brief Guide,’ 30th May 2017, <https://www.transparency.org.uk/unexplained-wealth-orders-brief-guide>

187 Ibid.

188 Ali Shalchi, ‘Unexplained Wealth Orders,’ House of Commons Library, 1 October 2021, <https://researchbriefings.files.parliament.uk/documents/CBP-9098/CBP-9098.pdf>

189 Rt Hon David Cameron, ‘Tackling corruption: PM speech in Singapore,’ Gov.uk, 28 July 2015, <https://www.gov.uk/government/speeches/tackling-corruption-pm-speech-in-singapore>

190 Transparency International, ‘Unexplained Wealth Orders.’

191 Ibid.

192 Ibid.

193 Barney Thompson, ‘Azerbaijan bank chair’s wife named as target of unexplained wealth order,’ Financial Times, October 10 2018, <https://www.ft.com/content/45fecc14-cc6a-11e8-9fe5-24ad351828ab>

close because money started to disappear out of the country.¹⁹⁴ She bought a mansion near Harrods in 2009 for £11.5 million and a golf course in Berkshire for £10.5 million in 2013.¹⁹⁵ The assets were acquired through a company that was incorporated in the BVI.¹⁹⁶ As we have seen, she gained legitimate entry into the UK by taking advantage of the Tier 1 (Investor) visa scheme.¹⁹⁷ Hajiyeve came to the public's attention through her extravagant spending habits. She was said to have 54 different credit cards and managed to spend £16 million in Harrods, apparently splurging £2,000 on cold meats during one visit to the store and £6 million on jewellery on another occasion.¹⁹⁸ Placing an UWO on her assets was a welcome development and Hajiyeve lost an appeal in February 2020 against the order.

In June 2020, however, the National Crime Agency (NCA) was less successful. It lost an appeal by one of the ruling families from Kazakhstan against a different UWO. The NCA was using the UWO powers to target property in the UK worth £80 million in 2019.¹⁹⁹ The property belonged to the widow and son of Rakhat Aliyev who had been part of the political elite in Kazakhstan, calling himself the “godfather in law.”²⁰⁰ He had served in the Kazakh intelligence service, in the Foreign Affairs ministry and as Kazakhstan's ambassador to Austria. He fell out of favour with the ruling regime when he said that he would stand against President Nazarbayev in elections. He was later charged with murdering two bank managers – one from the bank that was cited in the UWO – and he died in an Austrian prison.²⁰¹

The NCA believed that money stolen from Kazakhstan by Rakhat Aliyev was used to fund property purchases here in the UK.²⁰² Transparency International UK had been responsible for identifying the beneficial owners of the properties because they were bought through shell companies incorporated in British tax havens and in the UK.²⁰³ Again our lax controls facilitated the development of a complex web of companies which made it difficult to trace the origin of the wealth. The three properties comprised a high security mansion in what is known as “Billionaire's Row” – Bishops Avenue in North London.²⁰⁴ That property boasted an underground pool, a private cinema, tropical showers, separate servants' quarters and 10 bedrooms.

There was another high security mansion overlooking Highgate Golf Course and a huge apartment created from two separate flats in a luxury secure development in Chelsea.²⁰⁵ These properties were owned for the benefit of Rakhat Aliyev's widow and her son. The National Crime Agency suspected that these properties had been bought using funds stolen by the Kazakh

194 Transparency International, ‘Identities Revealed In First Uwo Case,’ 10th October 2018, <https://www.transparency.org.uk/identities-revealed-first-uwo-case>

195 Ibid.

196 Ibid.

197 Ibid.

198 Ibid.

199 Kate Beioley, ‘Kazakh family defeats NCA over ‘Billionaires Row’ unexplained wealth order,’ Financial Times, April 8 2020. <https://www.ft.com/content/c4f96dff-0be0-4f9b-a1ab-504c966d2fce>

200 Ibid.

201 Ibid.

202 NCA vs Baker + Others, 8 April 2020, Case Nos: CO/1540/2019, <https://www.judiciary.uk/wp-content/uploads/2020/04/Approved-Judgment-NCA-v-Baker-Ors.pdf>

203 Transparency International, ‘Unexplained Wealth Orders Against Properties Belonging To Kazakh Political Elite Dismissed,’ 8th April 2020, <https://www.transparency.org.uk/press-releases/unexplained-wealth-order-uwo-dismissed-london-nursultan-nazarbayev-dariga-nazarba-nurali-aliyev>

204 Ibid.

205 Ibid.

ruling family and issued an Unexplained Wealth Order against the three properties.²⁰⁶

Yet, as I said during a debate in Parliament in February 2022, Dariga Nazarbayeva's wealth was "hidden in an incredibly complex system of offshore companies, foundations and trusts."²⁰⁷ Lawyers for Rakhat Aliyev's widow Dariga Nazarbayeva and her son convinced the Court that her husband was not the source of the wealth used, the UWO was quashed and the NCA faced a claim for costs of £1.5 million which represents a devastating hole in their budget. For context, the NCA's entire anti-corruption enforcement budget was a mere £4 million at the time.²⁰⁸

Investigative journalists from Source Material claimed that that "Nazarbayeva may have misled the UK High Court"²⁰⁹ and have since uncovered new evidence and argued that the web of ownership was incredibly complex, with money moving between a string of companies in Kazakhstan, the UK and a number of tax havens.²¹⁰

They have also claimed that Nazarbayeva, herself a well-connected and successful businesswoman, is the beneficial owner of another group of properties in Baker Street, bought through another complex offshore structure and worth £150 million – these have not been subject to an UWO, and Nazarbayeva has declined to respond to these claims.²¹¹ If the investigative journalists are right, their work demonstrates how difficult – and expensive – the new legislation is to use in practice.

In early 2018 the Director of the National Economic Crime Centre at the NCA, Graeme Biggar, said they were looking at 100 instances where these orders could be used. But only four UWOs have been issued and questions as to whether they will prove an effective tool in the battle against corruption remain unanswered.²¹² The NCA has had more success with Asset Freezing and Forfeiture Orders which were brought in alongside UWOs; these allow law enforcement to bring civil charges to freeze funds over £1,000 if they suspect the funds comprise the proceeds of crime.²¹³ Yet as with so much, there is a lack of appropriate expertise in the agencies as talent is drained by the private sector. Too often when I refer cases to one regulatory body they pass the buck to one of the other agencies and almost invariably my complaint falls into a big black hole and no action appears to be taken. Co-ordination and co-operation between all the enforcement bodies is very poor and there is a continuing failure to resource the work appropriately. One wonders whether – despite David Cameron's strong words in 2015 – there is the political will to get behind the fight against financial crime.

206 'House of Commons, Kazakhstan: Anti-corruption Sanctions debate. Volume 708: debated on Thursday 3 February 2022, <https://hansard.parliament.uk/commons/2022-02-03/debates/41000B02-86AB-499E-8547-0F5AA84611B0/KazakhstanAnti-CorruptionSanctions>

207 Ibid.

208 Ibid.

209 Ibid.

210 Source Material, Sherlock Holmes and the Mystery of the Kazakh Millions <https://www.source-material.org/blog/sherlock-holmes-and-the-mystery-of-the-kazakh-millions>.

211 Ibid.

212 National Crime Agency, 'NCA secures Unexplained Wealth Orders for prime London property worth tens of millions,' 29 May 2019, <https://www.nationalcrimeagency.gov.uk/news/nca-secures-unexplained-wealth-orders-for-prime-london-property-worth-tens-of-millions>

213 National Crime Agency, '£100m Account Freezing Orders are largest granted to NCA,' 14 August 2019, <https://nationalcrimeagency.gov.uk/news/100m-account-freezing-orders-are-largest-granted-to-nca>

If we invested properly in enforcement we would save huge amounts for the Exchequer, and be able to return monies to individuals and to poor countries whose wealth has been stolen by bad people. If we created financial caps on the potential liabilities for enforcement agencies when they challenge an alleged offender in the courts that would enable more cases to be pursued through the courts. If we amended powers, such as those contained in the UWO legislation, we might be more successful in holding criminals to account.

Transparency

Transparency is a vital tool in the fight against financial crime. David Cameron recognised that when he addressed Britain's Overseas Territories at a conference in the Caribbean in 2015. Cameron said: "if we want to break the business model of stealing money and hiding it in places where it can't be seen, transparency is the answer".²¹⁴ The implementation of public registers of beneficial ownership in our tax havens – our Overseas Territories and Crown Dependencies – is therefore a good example and a critical part of the transparency agenda, not just for the UK, but also for developing countries. In fact, developing countries lose three times more in income they fail to receive because of tax avoidance, evasion, bribery and fraud than they gain from the global pot of international aid that they do receive from richer nations.²¹⁵

Britain's offshore secrecy jurisdictions are at the heart of the global dirty money crisis. Half of the entities cited in the Panama Papers were corporations registered in just one of our overseas territories, the BVI.²¹⁶ £68 billion flowed out of Russia through our Overseas Territories in just one decade.²¹⁷ Over 85,000 properties here in the UK are owned by companies that are registered in UK tax havens.²¹⁸ And, just one example, the citizens of the Democratic Republic of the Congo were deprived of some £1.35 billion – twice their health and education budgets combined – because mining contracts were effectively given away to five anonymous BVI companies.²¹⁹ These companies then immediately sold the rights on to another buyer, making a profit of over 500 per cent.²²⁰

Introducing public registers of beneficial ownership in our Overseas Territories and Crown Dependencies will help to track ownership and will help us follow the money. It will not be a magic bullet that stops all financial crime and corruption, but it will help to bear down on financial crime. Yet despite all these arguments, I knew back in 2018 that the Government would not support a move to impose public registers on Britain's tax havens. We were exiting the EU and the Government was worried about creating conflicts with other jurisdictions – and

214 Rt Hon David Cameron, 'PM's speech to the Jamaican Parliament,' [Gov.uk](https://www.gov.uk/government/speeches/pms-speech-to-the-jamaican-parliament), 30 September 2015, <https://www.gov.uk/government/speeches/pms-speech-to-the-jamaican-parliament>

215 Maya Forstater, 'Corporate tax avoidance and development: opening Pandora's box,' International Centre for Tax and Development, 16 September 2014, <https://www.ictd.ac/blog/corporate-tax-avoidance-and-development-opening-pandora-s-box/>

216 Alex Cobham, 'Panama Papers: Who were the big players?' Tax Justice Network, 3 April 2017, <https://taxjustice.net/2017/04/03/panama-papers-big-players/>

217 Global Witness, 'Missing the bigger picture? Russian money in the UK's tax havens,' 29 April 2018, <https://www.globalwitness.org/en/blog/missing-bigger-picture-russian-money-uks-tax-havens/>

218 Emilia Díaz-Struck and Cecile S. Gallego, 'Beyond Panama: Unlocking the world's secrecy jurisdictions,' International Consortium of Investigative Journalists, May 9, 2016, <https://www.icij.org/investigations/panama-papers/20160509-beyond-panama-secrecy-jurisdictions/>

219 Ibid.

220 Ibid.

they remain concerned about doing anything that might undermine the financial services sector in the UK economy. Along with parliamentary colleagues on our backbenches, the All-Party Parliamentary Group on Anti-Corruption and Responsible Tax (that I chair) and with the strong support of Andrew Mitchell, the Conservative former Secretary of State for International Development, we argued that, even setting the moral arguments aside, Britain could never secure long-term prosperity on the back of dirty money. The Government's response was that they would only support open registers when they were universally adopted across the world – that in practice meant never!²²¹

Fortunately for my group, we were operating under a hung parliament at the beginning of 2018. We therefore determined that we would try to build a parliamentary majority for an amendment to Government legislation that would compel our Overseas Territories to introduce public registers of beneficial ownership.²²² Tackling tax avoidance, evasion, fraud and financial crime unites people across the traditional party divides. Those on the right of the political spectrum, who may want a low tax economy, will want to ensure that everybody pays their share into the system to keep rates low. Those on the left, who may want a high public spend economy, will equally want to ensure that everybody contributes fairly. And as we lobbied individual MPs further arguments came into play.

Some were swayed by the ethical case for action; some had a particular interest in the impact secrecy jurisdictions had on the public finances of developing countries; and some were driven by their suspicion of and hostility to the Russian influence in the UK. I remember a conversation with one MP who said that while he was sympathetic to our cause he could not support our amendment because he had very rich friends who used tax havens as they wanted to hide their true wealth from their wives. I started a conversation with another MP where I could see no hope of agreement – we differed on everything from Brexit to abortion to immigration to same-sex marriage. But during the conversation, I identified his wholesale hostility to everything Russian and after an explanation of the way the Russian oligarchs had brought their money into the UK through the tax havens he left the room agreeing to support our amendment.

After six months of conversations with individual MPs we built a strong cross-party majority for our amendment to the Sanctions and Anti-Money Laundering Bill and the Government conceded defeat.²²³ People came together from the main political parties and from across the divide in the House of Commons to unite in supporting greater transparency. The change represented a triumph for parliamentary democracy. The next target was the Crown Dependencies of Jersey, Guernsey, and the Isle of Man.

Together with my “partner-in-crime”, Andrew Mitchell, we then visited and talked to leading figures in these jurisdictions.²²⁴ They tried to persuade us that their regulatory frameworks and

221 Hansard, ‘Sanctions and Anti-Money Laundering Bill [Lords],’ 20 February 2018, [https://hansard.parliament.uk/commons/2018-02-20/debates/4203FE32-0E68-46CD-BAAF-6F65D05050A2/SanctionsAndAnti-MoneyLaunderingBill\(Lords\)](https://hansard.parliament.uk/commons/2018-02-20/debates/4203FE32-0E68-46CD-BAAF-6F65D05050A2/SanctionsAndAnti-MoneyLaunderingBill(Lords))

222 Nick Shaxson, ‘New report from UK parliament: tax justice to the fore,’ Tax Justice Network, 4 August 2016, <https://taxjustice.net/2016/08/04/new-uk-parliamentary-report-tax-tax-justice-fore/>

223 Sanctions and Anti-Money Laundering Act 2018. UK Government. PART 2: Section 51.

224 Global Witness, ‘UK must require ALL of its tax havens to open up on secret company owners to keep out dirty money, campaigners warn as delegates visit,’ 4 December 2018, <https://www.globalwitness.org/en/press-releases/uk-must-require-all-its-tax-havens->

their policing of it was first rate. Their wholehearted belief was that there was no need for greater transparency in the Crown Dependencies.

However, there was too much evidence that suggested that all three jurisdictions were steeped in the world of economic crime and tax avoidance. We persuaded them that we would pursue similar legislative changes to those that had secured change for the Overseas Territories. These jurisdictions were particularly sensitive and hostile to the idea that the UK Government could interfere and intervene in their independence by legislating for them. However, when we received copper-bottomed legal advice from an eminent QC in the summer of 2019 that confirmed that the UK Government could legislate on these specific matters, they voluntarily agreed to introduce public registers without being forced to do so through legislation.²²⁵

Gaining commitments on transparency for beneficial ownership registers represents a major step forward in the fight against economic crime. The Government has given assurances that the registers will be in operation by 2023.²²⁶ We remain vigilant to ensure that our legislative intent is fully and faithfully implemented.

These jurisdictions will still be free to offer low tax levels, but they will no longer be able to offer secrecy which will undermine the UK tax havens' ability to act as a safe haven for illicit finance. Criminals and kleptocrats may move their money to other secrecy jurisdictions, but the net is now drawing in on tax havens and our success will help to lead the way and add pressure for other jurisdictions to clamp down on their own tax havens.

These are some examples of action that could readily be taken to clean up Britain as the jurisdiction of choice for many kleptocrats and criminals. But in recent times, it has become apparent that the financial culture that has taken hold is increasingly impacting on our public sphere. The same lack of transparency, the tendency to ignore or break the rules, a weak regulatory framework and a reluctance to enforce the rules, coupled with a breakdown in accountability is undermining our integrity and threatening our standards in public life. The corruption in the financial sector has seeped into our politics and our public services. There is a cultural and behavioural connection, if not necessarily a simple causal one, that brings great dangers to our democracy.

[open-secret/](#)

225 Ali Shalchi and Federico Mor, 'Registers of beneficial Ownership,' House of Commons Library, 8 February 2021, <https://researchbriefings.files.parliament.uk/documents/CBP-8259/CBP-8259.pdf>

226 Ibid.

Part three: A corrupted politics?

I am often asked by the Commonwealth Parliamentary Association to address groups of visiting dignitaries from developing countries. I am asked to describe how we in Britain conduct our politics in a mature democratic way and how we hold our Government to open account in a country that basks in the belief that it has an unrivalled record on probity, integrity and the rule of law. 10 years ago I felt comfortable sharing our experience with countries that are often struggling with corruption and weak democratic infrastructures. However, that confidence in the integrity and honesty of our public realm has gone. Today acclaiming it seems both wrong and hypocritical. We can continue to mouth the language of good governance, but the actions of our Government and our politicians tell another story.

A pattern of bad behaviours and practices in the public realm that always existed on the fringes of British public life has now infected the mainstream of our politics and our public services. The growing presence of financial malpractice in Britain has contaminated our public life. By throwing open our doors to foreign investment and allowing regulation to atrophy, we have turned a blind eye to suspicious and even dirty money. Welcoming this questionable finance – from corrupt individuals, criminal enterprises or corporate entities – has led to a proliferation of malign or self-serving influences in our public sphere. We have opened ourselves up to a more transactional and corrupt mode of politics. And it is particularly dangerous in our jurisdiction because access and influence are cheap.

Jurisdictions that have built their economies on low taxes, secrecy, and dirty money can have problems with political corruption. The recently leaked “Bailiwick Boxes” were a set of damning documents that unveiled allegations that a major Jersey based trust company was helping its customers evade tax and launder money.¹ The organisation behind the leak, The Bureau of Investigative Journalism (TBIJ), claimed to show how the Jersey authorities failed to act despite the allegations being brought to their attention. TBIJ argues that the close relationship between politicians, lawyers, and the judiciary and their closeness to the financial services sector on the island “raises serious questions over Jersey’s ability to adequately police its finance industry”.²

Meanwhile, in another of our notorious tax havens – the BVI – a full-scale corruption inquiry is being undertaken into the politics of the island by a former UK High Court judge, Rt Hon Sir Gary Hickinbottom.³ Of course, these are two very different jurisdictions to the UK. Yet on a much smaller scale, they demonstrate how a “bargain basement” economy trading in illicit finance and low taxes can lead to a corruption in politics. The experiences in these British tax havens should sound as a warning to the UK.

1 Isobel Koshiw, Ben Stockton and Franz Wild. ‘Lost trust: leaked files expose Jersey’s inaction on fraud scandal.’ The Bureau of Investigative Journalism, October 5 2020. <https://www.thebureauinvestigates.com/stories/2020-10-05/lost-trust-leaked-files-expose-jerseys-inaction-on-fraud-scandal>

2 Ibid.

3 Honourable Julian Willock v The Right Honourable Sir Gary Hickinbottom, CLAIM No: BVIHCV 2021/0210, 2021 September 28.

The writer Nicholas Shaxson has explored the “finance curse”, demonstrating how an over reliance on financial services can in fact be detrimental to a jurisdiction.⁴ Shaxson believes that in the UK “our open arms to the world’s dirty money is corrupting our politics.”⁵ Sadly, we can see that effect across our public life.

From the priority given to Government ministers’ political associates and friends in the awarding of lucrative public contracts during the pandemic, political bias in allocating well-paid and influential public appointments and the blatant partisan use of taxpayers’ money, to the malign influence of badly behaved corporate entities on public policies, the influence of dubious kleptocrats on political leaders and the liberal use of private money to gain public influence.⁶ There is a mounting body of evidence that demonstrates a loss of integrity and honesty in our public sphere.

Our democracy, based on unwritten protocols, has always been fragile and there have been regular transgressions in behaviour down the years. But recently, respect for the traditional conventions that underpin our good governance appear to be too often ignored. Political loyalty, party donations and personal relationships seem to hold greater sway in reaching decisions that affect all of our lives, than judgements made on both the taxpayer’s and the public’s interest. This process has been accelerated by the pandemic when the necessary urgency of the response enabled rules to be broken. The public’s desperate quest for firm national action constrained political challenge of the Government’s actions and limited its accountability to Parliament and the public.

From the welcome moment in 2016 when the UK hosted its Anti-Corruption summit, we have fallen off our perch as a world leader in the fight against wrongdoing.⁷ A slide which is captured by the UK’s ranking in Transparency International’s Corruption Perception Index (CPI) that places jurisdictions according to their perceived level of public sector corruption as measured by experts and corporate figures.⁸ After a high score of 82 in 2017, the UK has since started slipping a few places year on year down the rankings and now scores 77.⁹ While that still places the UK in the world’s top jurisdictions that are perceived to be free from corruption, these recent CPI rankings confirm that standards have slipped in the UK in the last few years.

Unacceptable influence has always been a danger to the body politic under political parties of all colours. There was the cash for questions furore that broke at the end of 1994 when Harrods’ owner, Mohamed Al-Fayed claimed that he had paid considerable sums of cash to two MPs to ask questions in the House of Commons.¹⁰

4 Nicholas Shaxson, *The Finance Curse: How Global Finance Is Making Us All Poorer* (Grove Press, 2013), p. 52.

5 Nicholas Shaxson, ‘The finance curse: how the outsized power of the City of London makes Britain poorer,’ *The Guardian*, 5 October 2018, <https://www.theguardian.com/news/2018/oct/05/the-finance-curse-how-the-outsized-power-of-the-city-of-london-makes-britain-poorer>

6 Ibid.

7 Cabinet Office, ‘Anti-Corruption Summit: London 2016,’ 12 May 2016, <https://www.gov.uk/government/topical-events/anti-corruption-summit-london-2016>

8 Transparency International, ‘Corruption Perceptions Index,’ last updated 1 January 2022. <https://www.transparency.org/en/cpi/2020/index/nzl>

9 Transparency International, ‘Corruption Perceptions Index: United Kingdom,’ Last updated 1 January 2022, <https://www.transparency.org/en/cpi/2020/index/gbr>

10 Parliament UK, ‘Select Committee on Standards and Privileges First Report: Appendix 33,’ 8 July 1997, <https://publications.parliament.uk/pa/cm199798/cmselect/cmstnprv/030ii/sp0151.htm>

Later the scandal of the Bernie Ecclestone affair hit the Blair Government in its early years, when £1 million donation by the Chief of Formula One to the Labour Party was alleged to have influenced the Government's decision to exempt the racing competition from the national ban on all sports sponsorship by tobacco companies.¹¹ And in 2006 Labour's Cash for Honours scandal emerged.¹² Unacceptable financial and political behaviour has occurred down the years in all political parties and will continue to haunt us until we grasp the nettle and reform party political financing and expenditure.

But the 1994 Conservative cash for questions scandal resulted in the immediate resignation of one MP, the defeat of the other at the polls and the collapse of the lobbying company that had allegedly facilitated the cash payments. Tony Blair was forced to return the £1 million to Mr Ecclestone following the media exposure and the public outcry that ensued and he was also forced to publicly apologise.¹³ And the Cash for Honours scandal arguably became the key moment that so undermined Tony Blair – it made his resignation easier for Gordon Brown to engineer, while all four of the peerages that the Blair government had promised on the back of donations to the Labour Party were blocked by the House of Lords Appointments Commission.¹⁴ Where bad behaviour was uncovered the Prime Minister of the day attempted to ensure it was punished.

Contrast that with the decisions of today's Prime Minister, who, for example, ignored the clear advice and concerns of the same Appointments Commission that had admonished Blair, and appointed Peter Cruddas – a successful city trader who has given nearly £2.5 million to the Conservative Party over 10 years – to a seat in the House of Lords.¹⁵ Or the behaviour of the Conservative Party Co-Chairman, Ben Elliot, whose role in raising record donations for the Party raises concerning questions around conflicts of interest and “cash for access” due to his business interests in a concierge service for high net worth individuals.¹⁶ Ben Elliot was cleared by the Parliamentary watchdog, but a disgruntled donor described the arrangement as “access capitalism”.¹⁷ And then there is the behaviour of David Cameron who allegedly exploited his contacts and status inappropriately, and is said to have personally gained over £7million from his work trying to persuade ministers to invest taxpayers' money in Greensill loans, which, although not in breach of lobbying rules, showed a significant lack of judgment.¹⁸

11 Committee on Standards in Public Life, 'Fifth Report of the Committee on Standards in Public Life – Chairman: Lord Neill of Bladen, QC,' October 1998, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/336870/5thInquiry_FullReport.pdf, p.46.

12 Parliament UK, 'Select Committee on Public Administration Second Report,' 18 December 2007, <https://publications.parliament.uk/pa/cm200708/cmselect/cmpubadm/153/15305.htm>

13 Committee on Standards in Public Life, 'Fifth Report of the Committee on Standards in Public Life – Chairman: Lord Neill of Bladen, QC,' October 1998

14 Staff and agencies, "Cash-for-honours' timeline,' The Guardian, 11 October 2007, <https://www.theguardian.com/politics/2007/oct/11/partyfunding.uk>

15 Seth Thévoz, 'Want a seat in the House of Lords? Be Tory treasurer and donate £3m,' Open Democracy, 6 November 2021, <https://www.opendemocracy.net/en/dark-money-investigations/want-a-seat-in-the-house-of-lords-be-tory-treasurer-and-donate-3m/>

16 Rowena Mason, Luke Harding, Harry Davies and Simon Goodley, 'How Ben Elliot supercharged Tory donations by targeting ultra-wealthy', The Guardian, October 2021, <https://www.theguardian.com/politics/2021/oct/05/how-ben-elliott-supercharged-tory-donations-by-targeting-worlds-ultra-wealthy>

17 Gabriel Pogrand and Henry Zeffman, 'Tory chairman Ben Elliot peddled access to Prince Charles', The Times, July 31 2021, <https://www.thetimes.co.uk/article/tory-chairman-ben-elliott-peddled-access-to-prince-charles-hsw5t5bzt>

18 BBC Panorama, 'Greensill: David Cameron 'made \$10m' before company's collapse,' BBC News, 9 August 2021, <https://www.bbc.co.uk/news/uk-58149765>

In November 2021, Robert Barrington, Professor of anti-corruption practice at Sussex university, described some of these instances that have called into question the conduct of the current administration as “more transactional corruption than most mature democratic governments would usually tolerate.”¹⁹ He said the Johnson Government’s approach to these cases has been to deny wrongdoing and try to change the rules – in contrast to the Major government’s response to “sleaze” stories, when the then Prime Minister quickly acknowledged the problems and set about improving standards.

What has changed in recent years is that these instances of unacceptable practices are no longer occasional, but normal in our body politic. They are not just focused in one narrow area but have contaminated a wider sphere and the approach of this administration in tolerating such practices, threatens to undermine our global standing as an honest and trusted jurisdiction. As Robert Barrington writes, while Britain cannot be judged definitely as corrupt “there is more corruption and corruption risk in and around this government than any British government since the second world war.”²⁰

Russian money

The existence of money originating from Russia is a concerning feature that runs through many of the cases explored in this paper. It goes without saying that there are thousands of Russians living, working and investing in Britain today who are upright and honest citizens and who are contributing immensely to our society and our economy. Moreover there are plenty of wealthy international people from other nations who want to come to the UK or to invest here for perfectly legitimate reasons and, clearly, we should welcome them and encourage their investment.

However, the opportunities we offer for dirty money to get into the UK and the worrying trend of this being used to gain influence in our public and political domain should ring alarm bells.

Russia is not the only cause for concern. There are individuals from the Middle East, from China, from post-Soviet states, from Africa and from South America who have used their wealth to infiltrate the British establishment. It is difficult to select only a few individuals whose spending patterns and behaviour illustrate this malaise. So I have chosen to highlight the problem by looking at the activities of certain Russians, the most notorious nation when it comes to political interference in the West. As Parliament’s Intelligence and Security Committee (ISC) found:

“The UK welcomed Russian money, and few questions – if any – were asked about the provenance of this considerable wealth. It appears that the UK Government at the time held the belief (more perhaps in hope than expectation) that developing links with major Russian companies would promote good governance by encouraging ethical and transparent practices, and the adoption of a law-based environment. What is now

19 Robert Barrington ‘There is more corruption risk in and around this government than any British Government since 1945’. LSE British Politics and Policy, 25 November 2021. <https://blogs.lse.ac.uk/politicsandpolicy/government-corruption>

20 Ibid.

clear is that it was counter-productive, in that it offered ideal mechanisms by which illicit finance could be recycled through what has been referred as the London 'laundromat.' The money was also invested in extending patronage and building influence across a wide sphere of the British establishment – PR firms, charities, political interests, academia and cultural institutions were all willing beneficiaries of Russian money, contributing to a 'reputation laundering' process.²¹

There is a growing body of evidence that suggests Britain is a favoured destination for laundering money that has been stolen or embezzled from Russian citizens or companies by other Russians. And that some Russians with questionable motives are not just bringing laundered money into the UK but are using their suspicious wealth to buy influence and infiltrate our politics. Global Witness produced evidence that over a 10 year period to the end of 2016, £68 billion was laundered out of Russia through our overseas territories, most of it going through the BVI.²² They claimed that 12 per cent of all the Russian money invested outside Russia went through Britain's Overseas Territories.²³ Furthermore, research by Transparency International UK in 2017 uncovered that £4.2 billion had been invested in UK property with suspicious wealth.²⁴ They claimed that 20 per cent of that investment came from Russian sources. We know that £729 million of Russian money came into the UK through the Tier 1 (Investor) visa scheme. The Russians were in the top two countries of origin for individuals who gained residency status in the UK through that route.²⁵

Here are some examples. Vladimir Chernukhin became Russia's deputy finance minister at the tender age of 32 and was later made Chairman of Russia's state development bank by presidential decree.²⁶ Although he fell out with Putin, the FinCEN Files revealed that he received £6.1 million from a company registered in the BVI that had links to Suleyman Kerimov, a Russian oligarch and politician with close ties to the Kremlin.²⁷ Kerimov is facing US sanctions and is under investigation for fraud allegations in France, which he denies. The Chernukhins came to the UK in 2004 and were granted British citizenship in 2011. They acquired 1 Cambridge Gate for £8 million from the Crown Estates.²⁸ They have denied ever receiving money deriving from Mr Kerimov or any company related to him.

Vladimir's wife, Lubov, has donated £2.1 million to the Conservative party since becoming a UK citizen. She was reported to have given £160,000 to the Tories for the privilege of playing tennis with Boris Johnson when he was Mayor of London.

21 Intelligence and Security Committee of Parliament: Russia, 'Presented to Parliament pursuant to section 3 of the Justice and Security Act 2013. Ordered by the House of Commons,' Printed on 21 July 2020, <https://int.nyt.com/data/documenttools/intelligence-and-security-committee-s-russia-report/9c665c08033cab70/full.pdf>, p.15.

22 Global Witness, 'Missing the bigger picture? Russian money in the UK's tax havens,' April 2018, <https://www.globalwitness.org/en/blog/missing-bigger-picture-russian-money-uks-tax-havens/>.

23 Ibid.

24 Transparency International, 'Faulty Towers: Understanding the impact of overseas corruption on the London property market,' March 2017, https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_Faulty_Towers_August_24.pdf, p.21.

25 Ibid., p. 22.

26 Ben Ellery, 'Tory top donor Lubov Chernukhin linked to Putin oligarch,' The Times, 22 September 2020. <https://www.thetimes.co.uk/article/tory-top-donor-lubov-chernukhin-linked-to-putin-oligarch-ngrmk5p8s>

27 Ibid.

28 Ibid.

She also gave a donation to the Tory Party to play tennis with David Cameron, to lunch with Theresa May, to dine with Ruth Davidson, and to support Brandon Lewis when he was Chair of the Conservative Party. As one Russian expert, Edward Lucas, said in evidence to a select committee hearing: “The Chernukhins, pleasant people that they might be... are not fit and proper people to make donations to a British political party.”²⁹ Yet under current rules and regulations the Conservative Party is able to accept this money with open arms.

Case study: Aquind

Alexander Temerko is another former Soviet citizen who became a wealthy Russian businessman and then a UK citizen in 2011. He has donated £1.3 million to the Conservative Party. He served in the Yeltsin Government and then worked at the top of the Russian arms industry, fleeing Russia in 2004. Publicly he defines himself as a critic of the Kremlin, but there are suggestions by some Russian experts in the UK that he has maintained close connections with the Russian security forces, which he strongly denies.³⁰ He has however established close ties with key individuals in the Conservative Party, contributing £50,000 a year to be a member of the Tories’ influential Leader’s Group and securing the position of Vice-Chair of the Cities of London and Westminster Conservative Association.³¹

It recently emerged that Temerko held a controlling interest in a Luxembourg based company, Aquind, that was seeking approval from the Government to construct an electricity and data cable that would run from Portsmouth to France.³² The local authority opposed this scheme, local people were also concerned and the final decision was taken by the Business Secretary. The ownership of Aquind is opaque and has gone through a number of iterations, including being registered as part of a BVI-based company that has since gone into liquidation. Most recently the planning application was turned down by the Business Secretary, but this was only after a vigorous campaign by the local community and public exposures that revealed the financial links between owners of Aquind and key Conservative figures.

29 Ibid.

30 Ibid.

31 Peter Geoghegan, Seth Thévoz and Jenna Corderoy, ‘Revealed: The elite dining club behind £130m+ donations to the Tories,’ Open Democracy, 22 November 2019, <https://www.opendemocracy.net/en/dark-money-investigations/revealed-the-elite-dining-club-behind-130m-donations-to-the-tories/>

32 Patrick Elliot and Franz Wild, ‘Owner of Tory donor company chaired firm linked to Russian corruption allegations,’ Bureau of Investigative Journalism, 12th January 2021, <https://www.thebureauinvestigates.com/stories/2021-01-12/owner-of-tory-donor-company-chaired-firm-linked-to-russian-corruption-allegations>

The other beneficial owner of Aquind is Viktor Fedotov, another Russian émigré whose questionable activities were uncovered in the Pandora Papers. It has been alleged that he made at least £72 million through dubious, fraudulent contracts where he was paid for work that was allegedly never done, although he himself has strongly denied all accusations of fraud and has said that accusations of corruption aimed at his Russian firm were “completely false”. He brought that money out of Russia through a series of shell companies, including companies based in the BVI and he now owns a mansion in Hampshire. Fedotov tried to suppress his connection to and interest in Aquind, claiming fears for his personal safety, but there seems little proven justification for this concern.³³ However, there are legitimate concerns about the origins of the £1.2 billion that the company claims it would have invested in this infrastructure project.

And there are legitimate concerns as to the Russians’ attempt to influence the Government’s decision because of the company’s donations and Alexander Temerko’s personal donations to the Conservative Party and to Conservative MPs. Although ministers did turn down the scheme, financial donations were extensive and generous. Aquind has given £242,000 to the Conservative Party. Rishi Sunak, Alok Sharma and Brandon Lewis have all received personal donations. Minister for Corporate Responsibility, Lord Callanan, who is overseeing the Companies House reforms, is a former non-executive Director of Aquind and took an active role in promoting the power cable project.³⁴ Temerko sat next to the former Business Secretary, Alok Sharma, at a fundraising dinner and he received a letter from the current Business Secretary, Kwasi Kwarteng undertaking to provide support from civil servants to the scheme in discussions the Government would have with French officials.³⁵

Ex-MP James Wharton became a paid advisor to Aquind shortly after he lost his seat in 2017 and he went on to run Boris Johnson’s leadership campaign and subsequently received a peerage and the job of chairing the body that holds Britain’s universities to account.³⁶ Other prominent Conservative politicians, including Anne-Marie Trevelyan, David Morris and Andrew Percy, all accepted donations running into tens of thousands of pounds. A month after receiving £10,000 from Aquind, David Morris asked a parliamentary question on issues of regulation that impacted on Aquind’s interests. Andrew Percy used his position to lobby for the pipeline at the EU, although his constituency of Brigg and Poole lies some 200 miles away from Portsmouth.³⁷

Evgeny Lebedev is a UK citizen. He allegedly amassed his immense wealth through contracts obtained with the knowledge that his father was a former senior official with the KGB. He now owns London’s Evening Standard and was given a peerage by Boris Johnson in 2020. Lebedev has enjoyed close links with many UK politicians from all political parties. The Prime Minister

33 Ibid.

34 Emanuele Midolo, George Greenwood, Tom Parfitt, and Sean O’Neill, ‘Revealed: Viktor Fedotov is tycoon behind Aquind energy project,’ The Times, 5 August 2020, <https://www.thetimes.co.uk/article/revealed-viktor-fedotov-is-tycoon-behind-aquind-energy-project-pq0868vmj>

35 Ibid.

36 Ben Quinn, ‘Row as Boris Johnson ally lined up for top job at Office for Students,’ The Guardian, 18 December 2020, <https://www.theguardian.com/politics/2020/dec/18/row-as-boris-johnson-ally-lined-up-for-top-job-at-office-for-students>

37 Ibid.

is a known associate of Lebedev's who regularly attends his lavish London parties and has previously visited his holiday palazzo in Umbria.³⁸ But Lebedev's peerage was granted in the face of strong reservations expressed by the House of Lords Appointments Commission because of his family connections to the Russian security service.³⁹ Yet concerns about both security and the origins of his wealth were set aside.

There are further examples. The lobbying company New Century Media was founded by the former Ulster Unionist MP, David Burnside, who was paid by the Kremlin to promote a positive image of Russia in the UK.⁴⁰ The company has donated around £200,000 to the Conservatives over the last decade.⁴¹ The company arranged for Vladimir Putin's judo partner to meet David Cameron at a fundraiser in 2013. Another example is Lev Mikheev, now a British-based investment banker who was born in Russia and who still has offices next door to the Kremlin. Mikheev donated nearly £200,000 to the Conservatives between 2010 and 2019.⁴² Meanwhile another Moscow-born investment banker, Alexander Knaster, who allegedly still has close ties to Russian based oligarchs, gave £400,000 between 2010 and 2013.⁴³

And finally, there is the wealthy Roman Abramovich, owner of Chelsea Football Club. Abramovich has just settled a long and expensive litigation in which he sued a journalist, Catherine Belton, who in her book *Putin's People* alleged that he acquired Chelsea on the orders of Putin to develop soft power in the UK.⁴⁴ This and other actions have excited growing attention about what has become known as "SLAPPS" – strategic litigation against public participation. In a Parliamentary debate called by the former Conservative Cabinet Minister, David Davis, MPs from all parties expressed concern that high-end UK law firms were being used by oligarchs to intimidate investigative journalists. David Davis said in this debate: "These people use our justice system to threaten, intimidate and put the fear of God into British journalists, citizens, officials and media organisations. What results is injustice, intimidation, suppression of free speech, the crushing of a free press, bullying and bankruptcy." Another Conservative MP, Bob Seely said: "If we allow the cancer of the selling of intimidation services by high-end legal firms, it will not do us any good in the long run, just as in the long run letting mafias launder money would also be bad for us ... I think they (these tactics) are very much part of the Russian state playbook and Russian hybrid war tactics: the tool of non-military conflict in the west against the west."

This roll call of Russians represents just a brief overview of how extreme wealth can be used to permeate our political and public spaces. Of course, these individuals' fortunes could be legitimate and their donations may be well-intentioned. Yet they all hide that wealth behind similar secret structures so without greater transparency and strong regulation it is

38 Eleni Courea, Patrick Maguire, Sean O'Neill, 'Evgeny Lebedev: Son of KGB agent handed a seat in the Lords,' The Times, 31 July 2020. <https://www.thetimes.co.uk/article/sir-ian-botham-a-brother-and-brexiteers-boris-johnsons-peerage-list-revealed-kh87sqxmq>.

39 Ibid.

40 Thévoz and Geoghegan, Revealed: Russian donors have stepped up Tory funding, <https://www.opendemocracy.net/en/dark-money-investigations/revealed-russian-donors-have-stepped-tory-funding/>

41 Ibid.

42 Ibid.

43 Ibid.

44 Ibid.

often impossible to know. Moreover, as explored by the ISC, these political donations and acts of influence by powerful people form part of a pattern, seemingly coordinated by the Russian government, with the assumed aim of undermining our very democracy.⁴⁵ The Kremlin targets the UK because we are a direct rival on the international stage and because, counter-intuitively, influence here is cheap and easy.

The lack of public exposure or challenge to this Russian money and dubious donations originating from other jurisdictions is indeed troubling there is insufficient public exposure or challenge to this Russian money and dubious donations originating from other jurisdictions. There are many doubts and unanswered questions and this targeted infiltration into our political, cultural and social infrastructure feels too unhealthy. But it is not just Russian money and influence that we must be alert to. MI5 recently issued a warning that a Chinese agent named Christine Lee had infiltrated UK politics by establishing links with members of parliament, including Labour MP and former shadow cabinet minister, Barry Gardiner, to whom she had given £425,000 over five years.⁴⁶ A review has now been launched to determine whether Gardiner exploited his position to lobby on behalf of China.⁴⁷

Over the years we have developed checks and balances designed to prevent the slipping of standards or an increase in malign influences. Thus the corrosive effect of this dirty money on our public life should have been averted. Yet, as I will explore in the next section, these checks and balances themselves are under threat and being eroded.

Threatening the pillars of our democracy

Democracy has always been a fragile tradition, particularly for a country that has no written constitution.⁴⁸ Simply depending on elections is disingenuous; voting once every four or five years does not give any administration the licence to do what it wants in an unaccountable manner. Any government that secures a good majority in a General Election is not thereby gifted the right to decide anything and everything without proper scrutiny and checks.

Holding the Government to account in the way it exercises its power is critical to protecting the integrity of our democracy. The role of Parliament, the Civil Service, the judiciary, and the media are all vital to sustaining a non-corrupt democracy.

Abiding unconditionally by the rule of law is essential and having some confidence that our leaders will not consistently lie with impunity is also vital. These institutions and behaviours are the fundamental “pillars of our democracy”. They are the checks and balances designed to stop the erosion of trust in our politics and the corrosion of standards in our public life. But in recent years they have been systematically undermined, especially when they challenge government authority and expose questionable practices.

45 Intelligence and Security Committee of Parliament: Russia, ‘Presented to Parliament pursuant to section 3 of the Justice and Security Act 2013. Ordered by the House of Commons.

46 Gordon Cerera and Jennifer Scott, ‘MI5 warning over “Chinese Agent”’, BBC News 13 January 2022. <https://www.bbc.co.uk/uk-politics-59984380>

47 Glen Owen, Jake Ryan, Abul Taher and Luke McWilliams, ‘Ministers launch probe into Labour M.P’s links with Chinese spy: Review to find if Barry Gardiner exploited his frontbench position to lobby for the Chinese Communist Party’. 15 January 2022. <https://www.dailymail.co.uk/news/article-10406419/Review-Barry-Gardiner-exploited-frontbench-position-lobby-China.html>

48 Mercedes S. Hinton and Tim Newburn, eds. Policing developing democracies (London: Routledge, 2009).

Parliament

The role of the legislature in holding the executive to account is central to upholding democracy and preventing corruption.⁴⁹ Parliament's credibility was undoubtedly damaged by the MPs expenses scandal when some abused the system to personally and wrongfully make financial gain from taxpayers' money.⁵⁰ Rebuilding trust in Parliament remains unfinished business, as opinion polls show. However constant vigilance by Parliament to ensure the accountability of Government is vital and can only help to rebuild trust.⁵¹ Parliament remains a critical check on the abuse of power by the Executive.

The Wright reforms of Parliament introduced in 2009, included the election of Select Committee Chairs and Select Committee members by all members of the House.⁵² This replaced a system whereby the positions had been filled through the patronage of Party leaders. It has helped to create a strongly more independent voice for those parliamentary committees. Other reforms like the introduction of backbench business debates determined by backbenchers and e-petitions that can result in issues being debated on the floor of the House have all helped to strengthen accountability.⁵³

As an ex-Chair of the Public Accounts Committee, I found that the power of voice enjoyed in both the committee hearings and the public reports we produced, give Parliament and our Select Committee Chairs a more effective influence and authoritative role in public debate than many of the press releases issued by Government ministers.

These parliamentary reforms were first implemented in 2010 when we had a Conservative-Liberal Democrat coalition. Coupled with the uncompromising defence of Parliament's role by Speaker John Bercow we enjoyed an era during which parliamentary democracy flourished. However, the present Government has demonstrated contempt for the legislature and is only prepared to heed the voice of MPs when Conservative backbenchers threaten their majority. The Government has systematically acted to side-line Parliament and is therefore weakening one fragile pillar of our democracy.

The side-lining of Parliament became a feature of Theresa May's premiership as she tried to grapple with the challenge of implementing Brexit. The Government started to ignore motions passed by the House of Commons demanding access to papers and advice on which the Government was basing its policy.⁵⁴ There was a row over the refusal to release in a timely manner 58 sectoral impact assessments of Brexit.

49 Rick Stapenhurst, Niall Johnston, and Riccardo Pelizzo, *The role of parliament in curbing corruption* (World Bank Publications, 2006), p. 4.

50 Charles Pattie and Ron Johnston, "The Electoral Impact of the UK 2009 MPs' Expenses Scandal," *Political Studies*, vol. 60, no. 4, (2012), p. 731.

51 *Ibid.*, p. 740.

52 Parliament UK, 'Revisiting Rebuilding the House: the impact of the Wright reforms – Political and Constitutional Reform Committee,' 18 July 2013, <https://publications.parliament.uk/pa/cm201314/cmselect/cmpolcon/82/8204.htm>

53 *Ibid.*

54 Benjamin Kentish, 'Theresa May government found in contempt of parliament over failure to publish full Brexit legal advice,' *The Independent*, 4 December 2018, <https://www.independent.co.uk/news/uk/politics/contempt-parliament-vote-theresa-may-brexit-legal-advice-government-geoffrey-cox-a8667086.html>

Another contentious motion related to the Government's refusal to release the legal advice given by the Attorney General to the Government on the EU Withdrawal Agreement.⁵⁵ The Government described the procedures as archaic and obscure – which of course they are – but used that to argue that sharing such advice could in the future damage national security. The effect of this argument was that they did not comply with the will of Parliament.

At the same time, faced with a hung parliament, the Government started to abstain on Opposition motions where they thought there was a danger that they could lose the vote.⁵⁶ This enabled them to ignore Parliamentary motions that challenged Government. Contrast that with the conventions that prevailed in earlier periods: when the House of Commons challenged the Government and voted to give the Gurkha veterans the right to settle in the UK, the Government changed its policy and accepted the will of Parliament.⁵⁷

Contempt for Parliament has accelerated under the Johnson Government, something that can be seen in the language used by those who are part of the administration.

When the Government was ultimately defeated in the courts on prorogation in 2019 the then attorney general, Geoffrey Cox, described it as “a dead parliament... it has no moral right to sit.”⁵⁸ While the Prime Minister used derogatory language when talking about the EU Withdrawal agreement, calling it the “surrender act,” the “humiliation act” and the “capitulation act.”⁵⁹ The Government wanted to delegitimise parliamentary opposition to Brexit.

But the nature of today's debates in the House of Commons on hugely important issues too often resembles the knockabout encounters one would normally associate with student politics. I look back at Geoffrey Howe's contribution when he resigned from Margaret Thatcher's government, John Major's powerful speeches on Europe, Robin Cook's contribution on the Iraq war, Tony Blair's contributions on the Northern Ireland peace process and Gordon Brown's speeches in the wake of the 2008 financial crisis, and reflect that these were serious speeches for serious times. The quality of debate in the House of Commons has sadly since declined. All MPs are culpable of diminishing parliamentary democracy by the way we choose to conduct ourselves. But the undermining of Parliament by the Government goes beyond the style and language of debate. There are many examples that illustrate a growing contempt for Parliament and a determination to limit accountability.

Since 2010 the Prime Minister has faced regular scrutiny from the Liaison Committee of select committee chairs. The committee traditionally questions the Prime Minister about three times a year but the Prime Minister cancelled the first three scheduled appearances before it; he did not

55 Ibid.

56 Marco Giuliani, “Twelve Votes for an Exit: Compromise and Responsiveness in the Brexit Process,” *Government and Opposition* (2021), pp. 5-6.

57 Peter Carroll, *Gurkha: the true story of a campaign for justice* (Biteback Publishing, 2012).

58 BBC News, ‘Attorney general tells MPs ‘this Parliament is a disgrace,’ 25 September 2019, <https://www.bbc.co.uk/news/av/uk-politics-49827307>

59 Boris Johnson, ‘Prime Minister's Update, Volume 664: debated on Wednesday 25 September 2019,’ Hansard, <https://hansard.parliament.uk/Commons/2019-09-25/debates/AD2A07E5-9741-4EBA-997A-97776F80AA38/PrimeMinisterSUpdate?highlight=surrender%20act#contribution-4EB034F9-1ACD-4A28-ABC0-80DB4C3247AA>

prioritise accountability.⁶⁰ The home secretary felt able to ignore letters from the Home Affairs Select Committee asking her to appear and when she finally responded to the third letter, she still refused to appear on the date chosen by the Committee.⁶¹ The Prime Minister ignored the 2010 reforms for electing Chairs of Select Committees designed to provide independent and robust scrutiny and tried to impose his nominee for two senior committees, the Liaison Committee and the Intelligence and Security Committee.⁶² He succeeded with the Liaison Committee, but when the Conservative MP Julian Lewis did a deal with opposition MPs and secured for himself the vote to become the Chair of the Intelligence and Security Committee in Parliament, Boris Johnson responded by removing the Conservative whip from Julian Lewis for six months.⁶³ Lewis's election led to the publication of the Committee's report on Russia which was widely seen as being deliberately delayed by the Government, in another sleight to Parliament.

There would also appear to be a complete disregard for parliamentary protocols by government making important policy announcements on the media before telling Parliament. Hugh Dalton was forced to resign as chancellor in 1947 when it emerged that he had revealed details of his budget to a journalist before they were announced in Parliament. Today the chancellor issues many press releases on his most important budget proposals days before he stands in the House of Commons to deliver his budget. Lindsay Hoyle expressed his anger in the House of Commons in October 2021 when he said: "At one time ministers did the right thing if they briefed before the budget... they walked. Members are elected to this House to represent their constituents, those constituents quite rightly expect the MP to hear it first in order to be able to listen to what the budget is about, but also for the days following that to be able to hold them to account.... It's not acceptable and the Government shouldn't try to run roughshod over this House."

Even Parliament's task of scrutinising legislation is now being curtailed, with the urgency of taking action during the pandemic. Legislation has come into effect without any scrutiny prior to its enactment; conventions on timeframes for publishing and considering legislation are often ignored; and the Government decided not to use civil contingencies legislation that is already on the statute book for national emergencies like the pandemic. Instead it passed its own Coronavirus Act which may have provided some advantages but which enabled the Government to avoid detailed scrutiny on often contentious issues. So, for instance, the regulations requiring us to wear face masks on public transport were announced on 4th June 2020; the proposal was agreed on 14th June; it came into force on 15th June; but it was only debated in Parliament on 6th July.⁶⁴

60 Richard Kelly and Mark Bennister, 'The Liaison Committee: taking evidence from the Prime Minister,' House of Commons Library, 6 July 2021, <https://researchbriefings.files.parliament.uk/documents/CBP-8182/CBP-8182.pdf>, p.15.

61 Jamie Gierson, 'Priti Patel accused of avoiding MPs' scrutiny during national crisis,' The Guardian, 8 April 2020, <https://www.theguardian.com/politics/2020/apr/08/priti-patel-accused-of-avoiding-mps-scrutiny-during-national-crisis>

62 Anthony Seldon et al., *The Impossible Office?: The History of the British Prime Minister*, (Cambridge University Press, Cambridge, 2021), pp. 179–219.

63 Alain Tolhurst and Matt Honeycombe-Foster, 'Julian Lewis has Tory whip removed after beating Chris Grayling to top security job,' Politics Home, 15 July 2020, <https://www.politicshome.com/news/article/chris-grayling-fails-to-become-security-committee-chair-as-no10s-choice-overlooked-in-favour-of-julian-lewis>

64 House of Commons: Public Administration and Constitutional Affairs Committee, 'Parliamentary Scrutiny of the Government's handling of Covid-19. Fourth Report of Session 2019–21,' 8 September 2020, <https://committees.parliament.uk/publications/2459/documents/24384/default/> p.12.

There are many effective and committed parliamentarians who doggedly pursue the Government and work to hold the executive to account. But the growing body of evidence suggests a disrespect of the Houses of Parliament by Boris Johnson's government, diminishing its powers and ignoring its voice in our democracy.

The judiciary

The role of the judiciary in protecting the rule of law and protecting individual human rights is central to our democracy.⁶⁵ So the anger expressed by the Johnson Government when the Scottish courts ruled that it was illegal to prorogue Parliament in 2019 and when Gina Miller successfully challenged the Government on the same issue in the English courts, was inappropriate. The Government responded by establishing a consultation into the use of judicial review and instigating another on the appointment of judges.⁶⁶ Rather than accepting the decision of the courts, it appears to want to weaken their role in ensuring that government acts within its powers. When a group was established to consider the use of judicial review the stated justification was to ensure "a proper balance between the right of individuals and effective government."⁶⁷

Lord Faulks QC, who served as a Conservative Minister of State for Justice under David Cameron, was appointed to lead the review and the Government clearly hoped for some helpful recommendations that would curtail judicial reviews.

However, Lord Faulks did not recommend any major changes.⁶⁸ He said that the Government should think long and hard before lessening the reach of judicial review concluding that there should be a "strong presumption in favour of leaving questions of judiciability to the judges."⁶⁹ He described judicial review as a "safety valve to prevent the executive from overreaching or acting in a way that is unlawful."⁷⁰ The Government, however, remains determined to press ahead with limiting judicial reviews. They are now trying to legislate. They claim they want to "protect the judiciary from being drawn into political questions" but the proposed legislation is seen by many as an act of revenge for the successful challenge of the proroguing of Parliament.⁷¹

In a similar vein, the Government appears to continue to want to review the appointment of judges, concerned at the number of judgements that challenge the actions of the Executive. Although legislation has not been announced, a report by the Conservative think tank Policy Exchange sets out what might well be the Government's thinking. The report argues that reform of the system is necessary to "enhance the democratic legitimacy and accountability of senior appointments ..."

65 Gretchen Helmke and Frances Rosenbluth, "Regimes and the rule of law: Judicial independence in comparative perspective," *Annual Review of Political Science* 12 (2009): 345-366.

66 Patrick J Birkinshaw, 'The Independent Panel's Report on Judicial Review (CP 407) and the Government's Consultation Document on Judicial Review Reform (CP 408),' *Amicus Curiae*, Series 2, Vol 2, No 3, pp. 501-520.

67 Joanna Dawson, 'Reform of the Human Rights Act 1998,' House of Commons Library, 21 December 2021, <https://researchbriefings.files.parliament.uk/documents/CBP-9406/CBP-9406.pdf>

68 Lord Edward Faulks QC, 'The Independent Review Of Administrative Law,' March 2021, https://consult.justice.gov.uk/judicial-review-reform/judicial-review-proposals-for-reform/supporting_documents/IRALreport.pdf

69 *Ibid.*, p. 41.

70 *Ibid.*, p. 24.

71 UK Parliament, 'Queen's Speech: Volume 812: debated on Thursday 13 May 2021,' Hansard, <https://hansard.parliament.uk/lords/2021-05-13/debates/E811DE1A-8047-422C-8D07-E538B628BC30/Queen%E2%80%99S%99Speech>

And that Ministerial input into the appointments system provides one of the few channels for ensuring that senior judges enjoy an appropriate measure of democratic legitimacy.”⁷² The report goes on to say: “we recommend that the Lord Chancellor makes clear that he will use his existing powers to refuse to appoint candidates who have cast doubt on Parliament’s authority to make or unmake any law.”⁷³

Politicising judicial appointments would further undermine one of the pillars that protect our democracy. Not only could it transform appointments, but there is a risk that individual lawyers seeking promotion might allow their judgements to be influenced by the knowledge that findings critical of Government could damage their ambitions. Finally, confidence in the incorruptibility of our courts is central to the trust other countries have in the independence and integrity of our judicial system.

Political interference can only damage that precious global reputation and this could damage our role as an international centre for litigation.

The Government’s approach to the rule of law raises further concerns. When they said they wanted to violate recently agreed international law on the Brexit deal they shocked many. That shock was not mitigated by the claim that somehow this was a “specific and limited” breaking of international law.⁷⁴ You either do or do not abide by the rule of law and the threat to it undoubtedly shook trust in the nation’s integrity. Parallels can be drawn with the actions of Poland in dismantling its independent judicial system or China in ignoring its treaty obligations in relation to Hong Kong.⁷⁵ Indeed, in the words of the former Prime Minister, Theresa May, when the matter was debated in the House of Commons:

“This is a country that upholds the rule of law. It is one of the things that makes us great. It is one of our characteristics. We propound, we uphold the rule of law around the world. The Conservative Party upholds the rule of law. It is one of our values, one of our characteristics. Yet we’re being asked to tear up that principle and throw away that value...The Government is acting recklessly and irresponsibly with no thought for the long-term impact on the standing of the United Kingdom in the world.”⁷⁶

In the end agreement was reached, but threatening to breach our international legal obligations should never have been raised as a possibility. It is of great concern that the Government are now dangling a threat to break the agreement on the Irish protocol just months after they signed (and presumably understood) a legal document.

72 Richard Ekins and Graham Gee, ‘Reforming the Lord Chancellor’s Role in Senior Judicial Appointments,’ Policy Exchange, 2021, <https://policyexchange.org.uk/wp-content/uploads/Reforming-the-Lord-Chancellor’s-Role-in-Senior-Judicial-Appointments.pdf>, p. 8.

73 Ibid., p. 11.

74 Brandon Lewis MP, ‘Northern Ireland Protocol: UK Legal Obligations Contribution,’ Hansard, 8 September 2020, <https://hansard.parliament.uk/commons/2020-09-08/debates/2F32EBC3-6692-402C-93E6-76B4CF1BC6E3/NorthernIrelandProtocolUKLegalObligations>

75 Marcin Rojszczak, ‘Surveillance, Legal Restraints and Dismantling Democracy: Lessons from Poland,’ *Democracy and Security* 17.1 (2021): 1-29; Tim Rühlig, ‘How China approaches international law: Implications for Europe,’ *European Institute for Asian Studies-EU-Asia at a Glance* (2018), p. 12.

76 Theresa May, ‘Clause 11 – Modifications in connection with the Northern Ireland Protocol,’ *They Work for You*, 21 September 2020, <https://www.theyworkforyou.com/debates/?id=2020-09-21d.667.3>

Civil service

A core part of our own view that the UK enjoys exemplary democratic traditions comes from the claim that we have a non-partisan and independent civil service, appointed purely on merit; a highly skilled set of people who give impartial advice, who can speak truth to power and who therefore provide an important check on the potential abuse of power by the Government.⁷⁷ That impartiality has gradually been eroded over time since Margaret Thatcher demanded a civil service that willingly complied with what many saw as her ideologically driven policy proposals, like the poll tax.⁷⁸

The move to weaken the role of the Civil Service was advanced by successive Labour and Conservative Prime Ministers who introduced and grew the number of politically appointed special advisers that worked in departments supporting ministers.⁷⁹ But the inclination to provide alternative support and brush aside civil servants has accelerated under the present administration. This can be evidenced through three examples: the removal and dismissal of top civil servants; the increased use of letters of direction; and the appointment of some individuals as non-executive departmental directors – individuals who appear to have secured their position primarily because of their politics rather than their relevant skills and experience.

Dominic Cummings was dedicated to changing the Civil Service and in one of his blogs said he wanted to work with “super-talented weirdos” and “misfits with odd skills.”⁸⁰ (Although in the same blog he talked about recruiting those who “have exceptional academic qualifications from one of the world’s best universities,” which reflects a very traditional approach to civil service recruitment.)⁸¹ There is broad consensus on the need for civil service reform that I share, with wide recognition that the skills, the career routes and the accountability of the Civil Service are all issues in need of modernisation.

But again the response of this Government suggests it is more about rooting out dissenting voices than improving the responsiveness, effectiveness and efficiency of the Civil Service. A raft of permanent secretaries have either left or been sacked in a very short period, suggesting an intolerance by this administration to disagreement and challenge.⁸² If you fear losing your job, you are less likely to speak truth to power and challenge your boss, the Minister. Thus, the function of the Civil Service to provide full and accurate information – to speak truth to power – is weakened.

The Cabinet Secretary was disposed of after briefings in the Government supporting paper, the *Telegraph*, where Mark Sedwill was described as “too much of a Europhile and establishment

77 Richard Shaw and Chris Eichbaum, “Bubbling up or cascading down? Public servants, political advisers and politicization,” *Public Administration* 98.4 (2020): 840-855.

78 Rodney Lowe and Hugh Pemberton, *The Official History of the British Civil Service: Reforming the Civil Service, Volume II: The Thatcher and Major Revolutions, 1982–97* (Routledge, 2020), p. 101.

79 Ibid.

80 Dominic Cummings, “Two hands are a lot’ — we’re hiring data scientists, project managers, policy experts, assorted weirdos...” Dominic Cummings’s Blog, January 2 2020, <https://dominiccummings.com/2020/01/02/two-hands-are-a-lot-were-hiring-data-scientists-project-managers-policy-experts-assorted-weirdos/>

81 Ibid.

82 Rajeev Syal, ‘The growing list of civil servants frozen out while Johnson’s ministers remain,’ *The Guardian*, 26 August 2020, <https://www.theguardian.com/politics/2020/aug/26/the-growing-list-of-civil-servants-frozen-out-while-johnsons-ministers-remain>

figure.”⁸³ The departure of Philip Rutnam, the Permanent Secretary to the Home Office, resulted in his taking legal action against Priti Patel on allegations of bullying by the Home Secretary.⁸⁴ The case was settled out of court. Rutnam walked away with £340,000 of taxpayers’ money and Priti Patel was saved the embarrassment of having to justify her behaviour in court.⁸⁵ The permanent secretary in the Ministry of Justice learned that his contract was not being renewed in a Downing Street press release announcing the departure of the Cabinet Secretary.⁸⁶ Simon McDonald’s departure was preceded by rumours in the press that he was on the Government’s “hit list.” That came after he told a Select Committee that the decision not to participate in an EU medical equipment procurement scheme for ventilators was “a political decision.” He was later forced to retract his evidence and thereafter lost his job.⁸⁷ But the removal of the Permanent Secretary from the Department of Education after the chaos of the 2020 exam results in relation to what of what were clearly ministerial decisions and choices, was perhaps the most alarming. DfE Permanent Secretary, Jonathan Slater, was told that he was being sacked by a journalist from the *Times*.⁸⁸

Allegations that the Civil Service is being undermined or politicised have long been levelled at governments and Prime Ministers, both Tony Blair and Margaret Thatcher faced such criticisms.⁸⁹ But there is a clear pattern emerging under the current government that reflects both a worrying challenge to the impartiality of civil servants who may question their ministers’ decisions, and an indifference to the shifting of responsibility for gross ministerial errors onto civil servants. This is further demonstrated by the increased use by civil servants of letters of directions.

These letters constitute a written instruction from ministers to their civil servants, authorising expenditure. They become necessary when the Permanent Secretary, as the accounting officer for the department, is unwilling to authorise the expenditure because they judge that it does not provide value for money or does not meet the high standards demanded in managing public money.⁹⁰ The Permanent Secretary then requires a letter of direction with a specific instruction from the minister for the expenditure to proceed and the letter is published. Letters of direction are most frequently used just before a General Election when ministers may be tempted to push through a pet project that is politically contentious.⁹¹ There were 19 such directions in the final

83 Gordon Rayner, ‘Brexiteers to be recruited and departments moved to regions in huge Whitehall shake up’, *The Telegraph*, 28th June 2020, <https://www.telegraph.co.uk/politics/2020/06/28/brexiteers-recruited-departments-moved-out-while-johnsons-ministers-remain>

84 Rajeev Syal, ‘The growing list of civil servants frozen out while Johnson’s ministers remain’, *The Guardian*, 26 August 2020, <https://www.theguardian.com/politics/2020/aug/26/the-growing-list-of-civil-servants-frozen-out-while-johnsons-ministers-remain>

85 Ibid.

86 <https://www.civilservant.org.uk/information-dismissal.html>

87 Rajeev Syal, ‘The growing list of civil servants frozen out while Johnson’s ministers remain’, *The Guardian*, 26 August 2020, <https://www.theguardian.com/politics/2020/aug/26/the-growing-list-of-civil-servants-frozen-out-while-johnsons-ministers-remain>
Richard Johnstone and Alain Tolhurst, ‘Downing Street hit list of perm secs’ risks serious damage to the Civil Service’, *Civil Service World*, 24 February 2020, <https://www.civilserviceworld.com/professions/article/downing-street-hit-list-of-perm-secs-risk-serious-damage-to-the-civil-service>

88 Nicola Woolcock, ‘Exams fiasco chief Jonathan Slater given £277,000 to quit post early’ *the Times* 17 December 2021, <https://www.thetimes.co.uk/article/exams-fiasco-chief-jonathan-slater-given-277-000-to-quit-post-early-ttn7ti9qn>

89 Catherine Haddon, ‘The manner of Mark Sedwill’s exit shows how easy it is to undermine civil service impartiality’, *Institute for Government*, 1 July 2020, <https://www.instituteforgovernment.org.uk/blog/mark-sedwill-exit-civil-service-impartiality>

90 Institute for Government, ‘Ministerial Directions’, February 19 2021, <https://www.instituteforgovernment.org.uk/explainers/ministerial-directions>

91 Ibid.

term of the Labour Government from 2005-2010; 14 were issued in the last two years running up to the General Election.⁹² Many of these actually related to the 2008 financial crisis and the bank bailouts that took place at that time.⁹³

According to Institute for Government (IfG) research, there has been a marked increase in ministers' use of letters of direction since Boris Johnson became Prime Minister. Compared to the 19 issued in the last five year term of the last Labour Government, 20 were issued in 2020 alone, just after a general election.⁹⁴ Most of the recent batch related to expenditure on the pandemic, but these would not have been necessary if the expenditure was deemed value for money in the context of a civil emergency. Two concerned the spending taxpayers' resources on dubious political interventions. One arose from Boris Johnson's determination to take to an industrial tribunal the compensation claim of a special adviser who was summarily escorted out of Downing Street by Johnson's aide, Dominic Cummings. The advice from the Cabinet Office was not to litigate, but to settle out of court; yet the Prime Minister chose to use taxpayers' money to settle a political score according to the head of the FDA Union, which represents civil servants.⁹⁵ The other involved expenditure of £400 million to acquire a stake in a failed satellite company, Oneweb. Experts believe that the investment represented a huge and risky gamble, but the Government was driven by the political imperative of the Brexit agenda. They wanted to replace the UK's full access rights to the EU sponsored Galileo sat-nav system with a new British system.⁹⁶

A significant shift in weakening the independence of the Civil Service is also evident in the striking changes that the Johnson government have made to the appointment of Non-Executive Directors (NEDs) who sit on the boards of all the Government departments. The use – and abuse – of this practice was highlighted by the appointment of Matt Hancock's friend, Gina Coladangelo, to the board of the Department of Health and Social Care. She had a background in public relations, but had known Matt Hancock from their university days. In May 2021 images exposing that the two were lovers emerged and she was forced to resign.⁹⁷ But in the time she had held a position of influence in the department and had earned £15,000 a year for 15 days' work at taxpayers' expense.⁹⁸

The creation of NED positions in Government departments in the 1990s was designed to improve efficiency and effectiveness. NEDs were meant to offer expert and robust challenge to the Civil Service, introduce greater transparency into decision making, and provide relevant expertise and experience that was often missing, like commercial know-how.⁹⁹ Their role and

92 Ibid.

93 Ibid.

94 Ibid.

95 Rajeev Syal, 'Special adviser sacked by Dominic Cummings to receive payoff,' The Guardian, 13 November 2020, <https://www.theguardian.com/politics/2020/nov/13/special-adviser-sacked-by-dominic-cummings-to-receive-payoff>

96 BBC News, 'UK government takes £400m stake in satellite firm OneWeb,' 3 July 2020, <https://www.bbc.co.uk/news/science-environment-53279783>

97 Rob Pattinson, 'Matt Hancock's secret affair with aide Gina Coladangelo is exposed after office snogs while Covid raged on,' The Sun, 25 June 2021, <https://www.thesun.co.uk/news/15388014/matt-hancock-secret-affair-with-aide/>

98 Gabriel Pogrund, 'Matt Hancock gave key Covid role to lobbyist pal,' The Times, 22 November 2020, <https://www.thetimes.co.uk/article/matt-hancock-gave-key-covid-role-to-lobbyist-pal-tpgg75t5c>

99 Cabinet Office, 'Government strengthens its commercial capability,' 3 September 2014, <https://www.gov.uk/government/news/government-strengthens-its-commercial-capability>

powers have changed and strengthened over time. Francis Maude reformed the process so that they are now ministerial, not civil service, appointments and they have the crucial authority to recommend that Permanent Secretaries in their department be removed from office.¹⁰⁰

But there is a growing tendency by this administration to appoint individuals who demonstrate political loyalty rather than professional expertise. The IfG's recent analysis shows that these appointments have tended to be filled by political allies. A report by the Committee on Standards in Public Life identified: "an increasing trend amongst ministers to appoint supporters or political allies as NEDs" and that it "undermines the ability of NEDs to scrutinise the work of their departments." Far from strengthening the efficiency, effectiveness and accountability of the Civil Service, this helps to politicise it, thus weakening its impartiality and effectiveness. Yet another check on the power of the executive is being undermined in our democracy.

The IfG finds that one in five current NEDs have a "political experience or [party] alignment" and that of these, only one does not have clear links to the Conservatives.¹⁰¹ Those with such connections include Zac Goldsmith's brother and Jacob Rees-Mogg's ex-business partner; former MPs who supported Brexit like Gisela Stuart and Douglas Carswell; people who remained personally loyal to Boris Johnson from his time as Mayor of London like Pam Chesters and Lizzie Noel; to former Conservative MPs or Conservative candidates who lost general elections; those who helped to bankroll the Conservative Party, like Doug Gurr and Wol Kolade; and those who might be said to have benefited personally from Government contracts and policies.¹⁰²

Although the NEDs are public appointments, their recruitment is not monitored by the Public Appointments Commissioner. In his final public letter to the Committee on Standards in Public Life, which he wrote in October 2020 as he was retiring, Peter Riddell said of all public appointments:

"The Code is quite specific that political activity is no bar to being appointed... The key is that they are not appointed just as a result of patronage but emerge from a rigorous comparison with other candidates on the basis of a fair and open competition... There are signs that this balance is under threat – that some at the centre of government want not only to have the final say but to tilt the competition system in their favour to appoint their allies."¹⁰³

He goes on to say specifically about NEDs in civil service departments:

"Non-executive members of the boards of government departments are not regulated at all and there have been growing concerns about this omission as the original idea of

100 Robert Hazell, Alan Cogbill, David Owen, Howard Webber And Lucas Chebib, 'Critical Friends? The Role Of Non Executives On Whitehall Boards,' UCL The Constitution Unit, January 2018, https://www.ucl.ac.uk/constitution-unit/sites/constitution-unit/files/178_-_Critical_FriendsThe_Role_of_Non_Executives_on_Whitehall_Boards.pdf, pp. 15-17.

101 Dr Matthew Gill, Rhys Clyne and Grant Dalton, 'The appointment and conduct of departmental NEDs,' Institute for Government, July 2021, <https://www.instituteforgovernment.org.uk/sites/default/files/publications/Departmental-NEDs.pdf>

102 Ibid.

103 Rt Hon Peter Riddell CBE, 'Letter to Lord Jonathan Evans KCB DL Chair, Committee on Standards in Public Life,' 7 October 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/932513/Peter_Riddell_to_Lord_Evans.docx.pdf

bringing in people with business and similar experience from outside Westminster has been partly replaced by the appointment of political allies of ministers, in some cases without competition, and without any form of regulatory oversight.”¹⁰⁴

There are examples among NEDs where political loyalty, party donations and personal gain are now rubbing too closely with public office and conflicts of interest are ignored. Lord John Nash had a successful career in venture capital. He is said to have given well over £400,000 to the Conservative Party in the last five years.¹⁰⁵

He was an early investor in Academy Schools and was brought in as a NED to the Department for Education in 2010. In 2013, he was given a seat in the House of Lords and appointed as an education minister, overseeing the expansion of academies in our education system. Nash is now the Government’s Lead NED and sits as a Cabinet Office NED. In 2016 it was reported that he gave his unqualified daughter a teaching post in one of his schools.¹⁰⁶ He is also reported to have financially benefited from his investment in an IT infrastructure company, Softcat, one-third of whose business comprises public sector contracts. His shares in this company are said to be worth tens if not hundreds of millions and he has taken £7 million in dividends since 2017.¹⁰⁷

Academy schools are funded by taxpayers’ money. The monitoring and oversight of that public money is far too weak and ineffectual and there are few checks on value for money or probity. Once an Academy Trust is established, the Trust and its schools fall outside public control. The schools can be inherited by the family of those who established the original Trust.¹⁰⁸ And we already know that over half of the Academy trusts have been involved in related party transactions in the last year. That is, the Academy Trust awards contracts funded by taxpayers’ money to related members of their family.¹⁰⁹

The position of NEDs was designed to ensure transparent procedures and better efficiency and effectiveness. But instead NEDs are undermining the independence of the Civil Service and increasing the influence of politics in the administration of public services. This threatens our integrity and is facilitating potentially shady or unethical behaviour.

It is not just political allies who benefit from the infiltration of political influences in the executive machine. The big four accountancy firms – all of whom depend on Government contracts for a significant proportion of their income and all of whom are anxious to maintain their influence on Government over legislation on tax and the financial services sector – fill a disproportionate

¹⁰⁴ Ibid.

¹⁰⁵ Clare Sambrook and Warwick Mansell, ‘The Brexit-backing businessmen taking control of England’s schools,’ Open Democracy, December 2019, <https://www.opendemocracy.net/en/shine-a-light/revealed-the-brexit-backing-businessmen-taking-control-of-englands-schools/>

¹⁰⁶ Rajeev Syal, ‘Unqualified daughter of minister teaches in his academy schools,’ The Guardian 12 May 2016, <https://www.theguardian.com/education/2016/may/12/unqualified-daughter-of-minister-teaches-in-his-academy-schools>

¹⁰⁷ Byline Times and The Citizens, ‘Conservative Lord’s £100 Million Link To Private Government Contractor’ 22 March 2021, <https://bylinetimes.com/2021/03/22/conservative-lords-100-million-link-to-private-government-contractor/>

¹⁰⁸ Department for Education, ‘Declare or seek approval for related party transactions: summary guidance,’ Gov.uk, last updated January 2021, <https://www.gov.uk/government/publications/related-party-transactions-information-for-academy-trusts/declare-or-seek-approval-for-related-party-transactions-summary-guidance>

¹⁰⁹ National Audit Office, ‘School Funding in England,’ 2 July 2021, <https://www.nao.org.uk/wp-content/uploads/2021/07/School-funding-in-England.pdf>

number of the non-executive places on departmental boards. Individuals associated with consultancies like McKinsey and Boston Consulting Group, that enjoy lucrative Government contracts, also sit on departmental boards.¹¹⁰

There are many other examples of potential conflicts of interest that challenge the integrity of the system. To take just one, Shirley Cooper is a NED with the Ministry of Justice and also works as the procurement and supply chain director for Computacenter, one of the largest independent suppliers of computers and IT services in the UK.¹¹¹ In 2020 the company's profits soared, in large part due to the big increase in public contracts, including high value contracts to provide laptops for children to learn at home. Computacenter secured £198 million in Government contracts, contracts that were awarded without competitive tender.¹¹² Muddying the waters further still, Computacenter was founded by two businessmen who were Conservative Party donors.¹¹³ The seemingly casual disregard around potential conflicts of interest serve to undermine an institution that is critically important to the functioning of our democracy.

The press

A free, diverse and pluralistic media remains another vital pillar in sustaining a vibrant democracy. For a government that appears to want to stifle criticism it becomes another target to be attacked, destabilised and weakened. The Johnson Government's attempts to undermine the role of the free press have so far been thwarted, but their continued determination to intervene remains dangerous to the health of our democracy. In doing so, they have faced accusations of deliberately trying to avoid scrutiny.¹¹⁴

After the 2019 General Election, Ministers started by refusing to appear on shows they considered hostile to their message and their mission. No minister would be held to account on the Today programme. The Government also boycotted programmes like Newsnight, Channel 4 News and Good Morning Britain.¹¹⁵ Emboldened by what they saw as the success of this boycott they held a Downing Street briefing for political editors in February 2020.¹¹⁶ On this occasion they divided the journalists into two groups, with one representing publications they considered sympathetic to the Government and the other comprising journalists thought to be hostile to the Conservatives. They then denied access to the Government briefing to those they deemed hostile. They were taken aback when all the lobby journalists from both groups walked out.¹¹⁷ The Government's approach backfired in the short term.

110 Rob Evans, Peter Geoghegan, David Pegg and Russell Scott, 'Government spends £56m on consultants to help with coronavirus,' The Guardian, 20 August 2020, <https://www.theguardian.com/world/2020/aug/20/government-spends-56m-on-consultants-to-help-with-coronavirus>

111 UK Government, 'Non-executive board member: Shirley Cooper,' Gov.uk, <https://www.gov.uk/government/people/shirley-cooper>

112 Computacenter, '2020 Full Year results,' 31 December 2020, <https://investors.computacenter.com/static-files/cd8d3199-7e94-40e8-8bc6-e43bb18233cf>

113 Good Law Project, 'Firm founded by Tory donor providing substandard laptops for vulnerable children,' 24 January 2021, <https://goodlawproject.org/update/computacenter-laptops/>

114 Jim Connolly, 'Is the Government avoiding the media and does it even matter?' BBC News, 5 february 2020 <https://www.bbc.co.uk/news/newsbeat-51371760>

115 Matt Honeycombe-Foster, 'Boris Johnson urged to drop 'childish' Today programme boycott as coronavirus crisis mounts,' PoliticsHome, 28 February 2020, <https://www.politicshome.com/news/article/boris-johnson-urged-to-drop-childish-today-programme-boycott-as-coronavirus-crisis-mounts>

116 Rowena Mason and Andrew Sparrow, 'Political journalists boycott No 10 briefing after reporter ban,' The Guardian, 3 February 2020, <https://www.theguardian.com/politics/2020/feb/03/political-journalists-boycott-no-10-briefing-after-reporter-ban>

117 Ibid.

Paul Waugh, who was at that time executive editor for politics at HuffPost UK, tweeted: “I can safely say that in 22 years of being a political journalist, I’ve never experienced a day like today. No 10 sources now insisting that political editors like myself are not banned; they are just not invited.”¹¹⁸ Similarly Jane Merrick of the *i* newspaper tweeted: “For four years under Tony Blair’s government I worked for the Daily Mail. His No 10 absolutely hated us – you might say justifiably – and yet we were never banned from any briefings involving civil servants under his government, ever.”¹¹⁹

The Conservatives are not alone in treating the media like this. The Corbyn administration refused to co-operate with either the Mail or the Murdoch publications, and its supporters were quick to criticise Keir Starmer when he wrote an article in the Sun denouncing the Government for fuel and food shortages.¹²⁰ And the BBC’s political editor, Laura Kuenssberg, had to have a bodyguard when she attended the 2017 Labour Party Conference because she was subject to such vicious attacks.¹²¹ The response of Corbyn’s Labour Party at that time was to blame the victim for the abuse, rather than protect her from unacceptable and unwarranted attacks. However, attacking and undermining the BBC appears to be a concerted strategy pursued by the Johnson administration: weakening the role of our public service broadcaster in holding the Government to account.

The Vote Leave campaign had constantly attacked the BBC for displaying bias in the Brexit debate. But an apparent trigger for this deterioration in relations came in the run up to the 2019 general election, when Number 10 criticised the BBC’s “extensive coverage” of a sick boy asleep on a hospital as evidence of anti-Conservative bias at the corporation.¹²² Both the images and Boris Johnson’s response catapulted the NHS to the top of the political agenda. Since then regular attacks have been made on the impartiality of the BBC reflecting an attempt to paint any criticism of government as being politically biased.

In 2020 Tim Davie, who previously stood as a Conservative candidate in Council elections,¹²³ became the new Director General while Richard Sharp who was appointed the Chair of the corporation’s board in 2021, has donated to the Tory Party and acted as an unpaid adviser to Rishi Sunak during the pandemic.¹²⁴ Sharp tried to block the appointment of Jess Brammar as executive editor of BBC News on political grounds.¹²⁵ Meanwhile Robbie Gibb worked for a

118 Paul Waugh, ‘I can safely say that in 22 years of being a political journalist, I’ve never experienced a day like today. No.10 sources now insisting that political editors like myself “are not banned, they are just not invited”’, Twitter post, 3 February 2020, <https://twitter.com/paulwaugh/status/1224394048133369862>

119 Jane Merrick, ‘For four years under Tony Blair’s government I worked for the Daily Mail. His No10 absolutely hated us – you might say justifiably – and yet we were never banned from any briefing involving civil servants under his government, ever,’ Twitter post, 3 February 2020, <https://twitter.com/janemerrick23/status/1224358642616619010>

120 Aubrey Allegretti, ‘Merseyside Labour MPs outraged at Keir Starmer writing article for the Sun,’ The Guardian, 3 October 2021, <https://www.theguardian.com/politics/2021/oct/03/merseyside-mps-outraged-at-keir-starmer-writing-article-for-the-sun>

121 Peter Walker, ‘BBC political editor given bodyguard for Labour conference,’ The Guardian, 24 September 2017, <https://www.theguardian.com/media/2017/sep/24/bbc-political-editor-given-bodyguard-for-labour-conference>

122 BBC News, ‘General election 2019: Boris Johnson criticised over reaction to sick boy image,’ 9 December 2019, <https://www.bbc.co.uk/news/election-2019-50717606>

123 Digital, Culture, Media and Sport Committee, ‘Oral evidence: The work of the BBC, HC 257,’ House of Commons, 21 September 2021, <https://committees.parliament.uk/oralevidence/2765/html/>

124 Sam Bright, ‘The New BBC Chairman has Donated OVER £400,000 to the Conservatives,’ Byline Times, 6 January 2021, <https://bylinetimes.com/2021/01/06/new-bbc-chairman-richard-sharp-donated-more-than-400000-to-conservative-party/>

125 Ibid.

number of leading Conservative figures and was Director of Communications in Downing Street for Theresa May; he joined the Board of the BBC in April 2021. He has repeatedly expressed the view that the BBC is “captured by the woke-dominated groupthink of some of its own staff”.¹²⁶

The appointment of Nadine Dorries is viewed as confirmation that the BBC is under threat. She has called the corporation “elitist” and “snobbish”, guilty of “groupthink” and “tokenism”.¹²⁷ Last year she launched an attack on the BBC, urging it to be more accessible to the wider public and “not just for people whose Mum and Dad worked there”.¹²⁸ In doing so, Dorries faced accusations of hypocrisy as she herself had previously employed her own daughters in her parliamentary office at a cost of up to £80,000 to the taxpayer.¹²⁹ But worryingly when asked about the future of the BBC she replied: “Will the BBC be there in ten years’ time. I don’t know”.¹³⁰

There are regular attacks on the impartiality of the BBC, reflecting an attempt to paint any criticism of Government as being politically biased. The impending privatisation of Channel 4 represents a complimentary threat to undermine another public service broadcaster.¹³¹ And the loss of one outlet will weaken the other. The quality of the BBC’s output will be damaged by the loss of competition from Channel 4.¹³² So the threat to a strong and independent media in the UK becomes yet another challenge to the strength of our democracy.

I have briefly described a pattern of actions that together demonstrate at best a careless approach to protecting and nurturing the democratic traditions and institutions that support our precious and treasured way of life. At worst, we are witnessing a deliberate assault on the vital pillars that uphold our democracy, from challenging the courts and the media, to ignoring Parliament and undermining the Civil Service. The Johnson administration is attacking these checks on their power with apparent impunity, unable to accept that holding the executive to critical account is essential to democracy. The chilling truth is that it is far easier to dismantle the checks and balances than it is to create them. Unless we are very careful in exposing and challenging what is happening, we may find that the damage is lasting. Democracy in Britain will be damaged and our reputation as a trusted jurisdiction blighted. It is the targeted degradation of our pillars of democracy, coupled with the corrupting influence of dirty money – which has seeped from our economy into our politics – and that has created an environment in which standards have slipped in our public life.

126 Alex Barker, David Bond and George Parker, ‘BBC director sought to block senior editorial appointment,’ Financial Times, 9 July 2021, <https://www.ft.com/content/82a54037-501d-457b-b8f4-35744c85ec9b>

127 Eleni Courea, ‘Snobbish’ BBC may not exist in a decade, Nadine Dorries predicts,’ The Times, 5 October 2021, <https://www.thetimes.co.uk/article/snobbish-bbc-may-not-exist-in-a-decade-nadine-dorries-predicts-fn7dkh9gv>

128 Ibid.

129 Mikey Smith, ‘Nadine Dorries complains about BBC nepotism despite having paid two daughters public cash’, The Mirror 4 October 2021, <https://www.mirror.co.uk/news/politics/nadine-dorries-complains-bbc-nepotism-25136819>

130 Courea, ‘Snobbish’ BBC may not exist in a decade, Nadine Dorries predicts

131 John Woodhouse, ‘Channel 4: a change of ownership?’, House of Commons Library, 9 December 2021, <https://researchbriefings.files.parliament.uk/documents/CBP-9280/CBP-9280.pdf>

132 Ibid.

Sleaze in the public realm

Much has been written and said about the impact that a very partisan approach is having on our politics and our public services. Cronyism and cash are securing access, contracts, influence, public appointments, honours and more, in an unprecedented way. Revolving doors to gain personal advantage, the deliberate use of taxpayers' money for overtly political purposes, allowing wealth that has been obtained immorally or dishonestly to buy privilege and priority in public life, all of this has become unexceptional and familiar.¹³³ The dodgy financial practices and crime that have been normalised in the economy are now infecting our political and public institutions and culture.¹³⁴

There have always been incidents of sleaze down the years. But they existed on the fringes of public life and when they were uncovered they mostly resulted in strong condemnation and disciplinary sanctions. Now the regular exposures pass unnoticed. This behaviour which violates the Nolan Principles for conduct in public life, has been allowed to pass from the margins to the mainstream and is generally unheeded or simply tolerated by those at the top of politics.¹³⁵ It was clear from Boris Johnson's time as Mayor of London that he was never troubled by mixing the personal and political with the public. The Jennifer Arcuri saga, when Johnson was found to be having an undisclosed affair with the US businesswoman, provides one example.

Arcuri secured much coveted places on trade missions and benefited from contracts with the Mayor's promotional agency, all of which were, of course, funded by council tax-payers.¹³⁶ There are still unanswered questions as to whether Johnson acted with honesty and integrity.¹³⁷

There are other examples of questionable conduct. Johnson committed Londoners to an appalling financial deal by granting a 99 year lease to West Ham United Football Club.¹³⁸ The club contributed a mere £15 million to the £323 million costs of converting the Olympic Stadium into a football ground and they pay only £2.5 million in annual rent thereby enjoying a long-term subsidy from London's council tax-payers.¹³⁹ The co-owner of the Club, David Sullivan, is a regular donor to the Conservative Party giving £75,000 before the 2019 General Election.¹⁴⁰ The Vice chair at West Ham, Karren Brady – a highly talented and successful executive – is also a Conservative Peer.¹⁴¹

This nonchalant approach to public office has continued as Boris Johnson moved from City Hall to Downing Street. The murky explanations as to how the extravagant improvements to the No. 10 flat were funded remain unclear;¹⁴² the mystery surrounding who paid for a £15,000

133 For example, see David Oliver, "David Oliver: The revolving door to the NHS lobby," *Bmj* 365 (2019)

134 Lorenzo Pasculli, "Seeds of systemic corruption in the post-Brexit UK," *Journal of Financial Crime* (2019)

135 Ibid.

136 Eleni Courea, 'Jennifer Arcuri: officials knew about affair with Boris Johnson,' *The Times*, 22 September 2021, <https://www.thetimes.co.uk/article/jennifer-arcuri-officials-knew-about-affair-with-boris-johnson-rbwzt5srm>

137 Ibid

138 Mayor of London, 'Moore Stephens Olympic Stadium Review,' *London Gov.uk*, November 2017, <https://www.london.gov.uk/sites/default/files/olympic-stadium-review.pdf>

139 Ibid.

140 Ibid.

141 Ibid.

142 Electoral Commission, 'Report of investigation into the Conservative and Unionist Party – recording and reporting of payments,' 9 December 2021, <https://www.electoralcommission.org.uk/who-we-are-and-what-we-do/our-enforcement-work/investigations/report-investigation-conservative-and-unionist-party-recording-and-reporting-payments>

winter break in Mustique;¹⁴³ the exchange of texts with James Dyson when the Prime Minister promised to “fix things” in terms of tax to help Dyson produce ventilators for the NHS;¹⁴⁴ the initial refusal to sack Matt Hancock for breaking Covid rules, to dismiss Dominic Cummings for similar offences and to take appropriate action when Priti Patel was found to have bullied civil servants.¹⁴⁵ And most recently, the continuing saga of the Downing Street parties that took place when Covid restrictions were in force, all suggesting a leader who is willing to break the rules if it suits his purpose.

The culture he sets has pervaded the heart of Government. One of Johnson’s top advisers, Ed Lister, was mired in potential conflicts of interest when he served Boris Johnson as Mayor and when he became Chief Strategic Adviser to the Prime Minister, moving to become Chief of Staff after Dominic Cummings left in November 2020.¹⁴⁶ The successful ex-Leader of Wandsworth Council also spent a period as a non-executive director in the Foreign Office when Johnson was Foreign Secretary. He was elevated to the House of Lords in November 2020 and became the PM’s special envoy to the Gulf in February 2021.¹⁴⁷ When the media started to expose his conflicts of interest he left Downing Street and resigned as special envoy. The potential conflicts that emerged are alarming but the culture in which he operated allowed him to act with impunity. When he was Chair of Homes England, a non-departmental public body overseeing housing development in England, he received payments of £487,000 from a Malaysian based housing developer, EcoWorld.¹⁴⁸ The developer secured planning permission for developments (including one in my own constituency in Barking) where they were released from the standard obligation to provide a proportion of affordable housing in their development.¹⁴⁹

At the same time, in December 2016 Lister became a paid adviser to the property company, Delancey.¹⁵⁰ A deal was struck between the Chinese and the developers to create a new embassy at Royal Mint Court that Delancey had acquired. Lister was paid by both parties but claims there was no conflict of interest. During this time he was earning £15,000 as a NED at the Foreign Office.¹⁵¹ While on the payroll of Delancey, Eddie Lister was Chair of Homes England which awarded £187m loan to the developer, which raises a further potential conflict of interest.¹⁵² Indeed he continued to receive payments from Delancey when he joined Boris Johnson in Downing Street and held a number of meetings between Delancey’s owner, Jamie Ritblat, in

143 UK Parliament, ‘Appendix 1: Memorandum from the Parliamentary Commissioner for Standards – Rt Hon Boris Johnson MP,’ 17 May 2021, <https://publications.parliament.uk/pa/cm5802/cmselect/cmstandards/549/54904.htm>

144 BBC News, ‘Dyson lobbying row: No 10 announces leak inquiry into Johnson’s texts,’ 22 April 2021, <https://www.bbc.co.uk/news/uk-politics-56843363>

145 Heather Stewart, ‘Boris Johnson may pay political price for not sacking Matt Hancock,’ The Guardian, 27 June 2021, <https://www.theguardian.com/politics/2021/jun/27/boris-johnson-may-pay-political-price-for-not-sacking-matt-hancock>

146 Jim Pickard and George Hammond, ‘Double life of Johnson’s ally raises awkward conflict of interest questions,’ Financial Times, 30 April 2021, <https://www.ft.com/content/4382aa0f-4784-4b21-a775-c87091f9ba31>

147 Ibid.

148 See Lord Lister’s Register of Interests to see his connections to EcoWorld at UK Parliament, ‘Lord Udney-Lister: Registered Interests,’ <https://members.parliament.uk/member/4898/registeredinterests>

149 Pickard and Hammond, ‘Double life of Johnson’s ally raises awkward conflict of interest questions’

150 Ibid.

151 Gabriel Pogrud, Emanuele Midolo, ‘Revealed: Johnson’s aide Edward Lister linked to both sides in Chinese embassy deal,’ The Times, 7 February 2021, <https://www.thetimes.co.uk/article/revealed-johnsons-aide-edward-lister-linked-to-both-sides-in-chinese-embassy-deal-tswqbpz62>

152 Gabriel Pogrud, Emanuele Midolo, George Greenwood, ‘Boris Johnson’s aide, Lord Udney-Lister, in £187m loan apology,’ The Times, 16 May 2021, <https://www.thetimes.co.uk/article/boris-johnsons-aide-lord-udny-lister-in-187m-loan-apology-xwnl6fr9r>

the Prime Minister's office.¹⁵³ Jamie Ritblat is one of a group of developers who are generous funders of the Conservative Party.¹⁵⁴ Delancey has donated £350,000 over the last decade, of which £100,000 was given in the run up to the 2019 election.¹⁵⁵ Tolerating these standards of behaviour at the heart of an administration sends a clear signal to others in government that conflicts of interest are acceptable.

Public contracts

Spending taxpayers' money in a transparent way, based entirely on value for money and in line with best practices to ensure that no improper influence is exerted, lies at the heart of honest and trustworthy government. In Britain the use of private contractors to deliver public services has grown massively over the last generation. If we look at public expenditure on goods and services and exclude expenditure supporting people's incomes through benefits and pensions, we find that the £300 billion spent through contractors probably represents well over half of total public expenditure on goods and services.¹⁵⁶ Ensuring our money is wisely spent and that strict protocols are in place to prevent sleaze and poor value is fundamental to maintaining a wholesome, corruption-free, democratic country.

Over years the National Audit Office (NAO) has raised concerns about contracting: there has been too little transparency and accountability; oligopolies have emerged thwarting the stated aim of creating strong competition to obtain best value for the taxpayer; and the Civil Service lacks the necessary skills to both let and monitor contracts effectively.¹⁵⁷ These systemic failures have eased the way public contracts – and taxpayers' money – to be awarded to political allies without proper scrutiny. The need to act swiftly during the pandemic provided many such opportunities, indicating that we are moving from being a trusted and open jurisdiction to one that accepts dubious deals. Unethical practices that are commonplace in the financial sector are becoming commonplace in the public sector.

Analysis of the general approach and revelations around individual contracts tell the story clearly. A NAO report released in November 2020 provided analysis of the Government's procurement record during the first phase of the pandemic.¹⁵⁸ Of £17.3 billion spent on new contracts, a mere £0.2 billion was subject to open competition.¹⁵⁹ Some contracts were let through framework agreements but £10.5 billion was spent with absolutely no competition.¹⁶⁰ Introductions to companies by ministers, MPs, peers, ministers' offices and senior civil servants and NHS staff

¹⁵³ Ibid.

¹⁵⁴ Ibid.

¹⁵⁵ The Electoral Commission, 'Donations,' <http://search.electoralcommission.org.uk/Search?current-Page=1&rows=10&sort=AcceptedDate&order=desc&tab=1&open=filter&et=pp&isIrishSourceYes=true&isIrish-SourceNo=true&date=Accepted&from=2021-07-01&to=2021-09-30&prePoll=false&postPoll=true®ister=ni®-ister=gb&optCols=Register&optCols=IsIrishSource&optCols=ReportingPeriodName>

¹⁵⁶ HM Treasury, 'Public Expenditure: Statistical Analyses 2021,' July 2021, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003755/CCS207_CCS0621818186-001_PESA_ARA_2021_Web_Accessible.pdf

¹⁵⁷ National Audit Office, 'Report By The Comptroller And Auditor General Hc 1833 Session 2010–2012,' 18 April 2012, <https://www.nao.org.uk/wp-content/uploads/2012/04/10121833.pdf>

¹⁵⁸ National Audit Office, 'Report by the Comptroller and Auditor General: Investigation into government procurement during the COVID-19 pandemic,' 26 November 2020, <https://www.nao.org.uk/wp-content/uploads/2020/11/Investigation-into-government-procurement-during-the-COVID-19-pandemic.pdf>

¹⁵⁹ Ibid., p. 9.

¹⁶⁰ Ibid.

led to those companies being given precedence. Their bids for government work to tackle the pandemic were placed in a “high priority lane” while other companies were placed in an ordinary lane. Those in the high priority lane had a one in 10 chance of being both considered and successful; those in the ordinary lane had a one in a 100 chance of being successful.¹⁶¹ Only one in 4 of the contracts were published within the strict timeframe to meet transparency and accountability standards that exist to ensure probity.¹⁶² The Government has since been found to have acted unlawfully in withholding the information.¹⁶³

An investigation by the *New York Times* in December 2020 analysed some 1,200 Government contracts valued at \$22 billion. They found that about half of the value went to contracts with “companies either run by friends or associates of politicians in the Conservative Party, or with no prior experience or a history of controversy. Meanwhile smaller companies with no political clout got nowhere.”¹⁶⁴ They further found that “about \$5 billion went to politically connected companies” where former ministers and advisers were on the staff, or the companies had donated to the Conservative Party.¹⁶⁵ They identified another \$5 billion awarded to companies who had a record of tax avoidance, human rights abuses, or fraud and corruption.¹⁶⁶

Despite being a national emergency, it is clear that the Government failed to carry out proper due diligence or deliver real value for money in its procurement in the early phase of the pandemic. This approach looks too much like the corrupt practices in public procurement that exists in some emerging democracies or developing countries. To learn about it in relation to the UK is shocking, but it reflects the extent to which our culture has deteriorated.

Examples from a couple of individual contracts supports this analysis. A £250 million contract for face masks awarded to Mauritius-based Ayanda Capital whose senior adviser, Andrew Mills, was at the same time an unpaid adviser to the Government’s Board of Trade, chaired by Liz Truss with whom Mills was a friend. One in four of the masks provided could not be used because they were deemed unsafe; and the contract was not published within the prescribed timeframe and Mills used a change in company status to avoid disclosing how much he made from the contract.¹⁶⁷

Radox Capital has been given almost £500 million in unopposed Government contracts to administer Coronavirus tests. Up to 750,000 test kits had to be recalled because the test tubes leaked and therefore created a contamination risk and Radox discarded more tests than any other laboratory providing testing capabilities.¹⁶⁸ Owen Paterson, then a Conservative MP, was

161 Ibid., p. 11.

162 Ibid., p. 12.

163 Good Law Project and Others v. SSHSC, 18/02/2021, Case No: CO/3610/2020, <https://www.judiciary.uk/wp-content/uploads/2021/02/GLP-v-DHSC-190221.pdf>

164 Jane Bradley, Selam Gebrekidan and Allison McCann, ‘Waste, Negligence and Cronyism: Inside Britain’s Pandemic Spending,’ The New York Times, December 17 2020, <https://www.nytimes.com/interactive/2020/12/17/world/europe/britain-covid-contracts.html>

165 Ibid.

166 Ibid.

167 Martin Williams and Adam Bychawski, ‘Record profits for firm involved in bungled £250m PPE deal,’ Open Democracy, 1 October 2021, <https://www.opendemocracy.net/en/dark-money-investigations/record-profits-for-firm-involved-in-bungled-250m-ppe-deal/>

168 BBC News, ‘Coronavirus: Radox recalls up to 750,000 test kits over safety concerns,’ 8 August 2020, <https://www.bbc.co.uk/news/health-53705229>

paid £100,000 a year as a consultant to the company.¹⁶⁹ Paterson facilitated conversations between the company and Health ministers but has since stepped down from Parliament in disgrace after being found guilty of an “egregious case of paid lobbying” by the House of Commons Committee on Standards.¹⁷⁰ Boris Johnson and Cabinet Ministers subsequently tried – but failed – to re-write parliamentary rules in order to exonerate Paterson.

David Meller has given £60,000 to the Tories since 2009, and served as a NED at the Department for Education. Meller ran a company providing luxury home and beauty products. When the virus emerged he quickly switched to PPE.¹⁷¹ It is reported that he personally lobbied the then Health minister, Lord Bethell, and former Conservative Party Chair, Lord Feldman, to secure a contract for face masks worth some £65 million without competition. Before the pandemic the annual turnover of his company was around £13 million; but 2020 saw him awarded public contracts worth at least £154.7 million.¹⁷²

The awarding of public contracts in this way was not limited to deals for Covid medical supplies. Let me cite just one example. A contract worth £560,000 for Covid related comms was awarded without tender to Public First, a small research company that was set up by Rachel Wolf who had helped author the 2019 Conservative manifesto and previously worked as an adviser to Michael Gove, and James Frayne who had worked alongside Dominic Cummings on the Vote Leave and Business for Stirling campaigns and became Director of Communications in the Department for Education when Michael Gove was Education Secretary.¹⁷³ In June 2021 the High Court ruled that the awarding of the contract without considering any other research agency “gave rise to apparent bias and was unlawful”.¹⁷⁴ However this ruling was overturned by the Court of Appeal in January 2022.¹⁷⁵ The Good Law Project – that brought the case before the courts – disagree with the latest verdict and say they now plan to ask the Supreme Court to hear an appeal against it.¹⁷⁶

Every Government minister must talk to their stakeholders and to those with expertise and experience relevant to the politicians’ portfolio, whether they be strangers, friends or foes. Those discussions make for better policies and more effective government. But using an executive position of authority to bend the rules and favour your friends or funders is the hallmark of a corrupt regime. In Britain the appearance of such conduct has become too commonplace and that undermines trust, especially in an environment when other checks on the abuse of executive power have been weakened.

169 UK Parliament, ‘The Register of Members’ Financial Interests – As at 161121 – Mr Owen Paterson,’ 23 November 2016, https://publications.parliament.uk/pa/cm/cmregmem/161121/paterson_owen.htm

170 House of Commons Committee on Standards, ‘Mr Owen Paterson Third Report of Session 2021–22,’ 26 October 2021, <https://committees.parliament.uk/publications/7644/documents/79907/default/>

171 Martin Williams, ‘Record profits for Tory donor’s firm that won huge PPE contracts,’ Open Democracy, 8 September 2021, <https://www.opendemocracy.net/en/dark-money-investigations/record-profits-tory-donors-firm-won-huge-ppe-contracts/>

172 Ibid.

173 Chris York, ‘Covid, Cummings And The “Handshake Deal” – Monday’s High Court case explained,’ HuffPost UK, 14 February 2021, https://www.huffingtonpost.co.uk/entry/good-law-project-public-first-covid-dominic-cummings_uk60253567c5b6b295bc04da87

174 Justin Parkinson, ‘Government acted unlawfully over firms £560,000 contract’ BBC News, 9 June 2021, <https://www.bbc.co.uk/politics-57413115>

175 Tristan Kirk, ‘Government wins court challenge over Public First contract for Covid messaging,’ Evening Standard, 18 January 2022, <https://www.standard.co.uk/news/uk/government-high-court-dominic-cummings-public-first-contract-covid-good-law-project-b977283.html>

176 Good Law project, ‘We plan to ask the Supreme Court to hear an appeal,’ 18 January 2022, <https://goodlawproject.org/update/we-plan-to-ask-the-supreme-court-to-hear-an-appeal/>

Cash for access, honours, influence and loans

There have always been problems and allegations about sleaze arising from the way money flows into our politics – from private donations given to particular political parties to payments given to influential politicians or decision-makers. The question arises: what do these donors hope to gain? For many, donations are an opportunity to promote causes, parties, or people that one believes in. Yet for some, donations seem to be a route to sway public decisions in order to support the financial or personal interests of the donor. Allegations of questionable donations, financial impropriety and malign influences have long undermined trust in our politics.¹⁷⁷ From the cash for questions scandal under the Conservatives to the cash for honours debacle under Labour, each incident puts another nail in the coffin of the perceived honesty and integrity of Britain's democracy. But in the past, such occurrences led to public opprobrium and punitive sanctions.

Today, there seems to be a constant flow of pernicious allegations yet they rarely seem to lead to sanctions or public admonishment. Wrongdoing has become an accepted part of our political culture. The role of property developers and their support for the Conservative Party and its politicians gives particular cause for concern. The alleged scandal involving Richard Desmond's proposed Westferry Printworks development provides an example. After sitting next to Desmond at a Tory fundraiser and being shown a promotional video, Robert Jenrick, then a planning minister, fast-tracked and approved the planning application for the scheme, thus ensuring the developer could avoid building all the affordable housing required by the local authority and would not have to contribute to the local authority through a Community Infrastructure levy.¹⁷⁸ Two weeks after the dinner, Desmond donated £12,000 to the Conservative Party. Later the planning permission was overturned by a Court which found that the Secretary of State had shown unlawful "apparent bias" in reaching his decision.¹⁷⁹

There are other similar stories around the country. Mark Quinn who has donated in the region of £140,000 to the Conservative Party is battling against a local decision to reject his development of agricultural land in Sittingbourne.¹⁸⁰ The most recent application might end up on the Minister's desk. John Bloor, the billionaire owner of the Midlands based Bloor Homes, a company that benefited financially from the Government's Help to Buy scheme, donated £950,000 to the Conservative Party in the run up to the 2019 General Election.¹⁸¹

Analysis by the *Financial Times* in July 2021 found donors with links to the property industry had given the party almost £18 million since Boris Johnson became Prime Minister in 2019,

177 Ipsos MORI, 'Trust in politicians falls sending them spiralling back to the bottom of the Ipsos MORI Veracity Index,' 26 November 2019, <https://www.ipsos.com/ipsos-mori/en-uk/trust-politicians-falls-sending-them-spiralling-back-bottom-ipsos-mori-veracity-index>

178 BBC News, 'Westferry Printworks: Government U-turn over controversial housing scheme,' 18 November 2021, <https://www.bbc.co.uk/news/uk-england-london-59336380>

179 Ibid.

180 Peter Geoghegan, 'Exclusive: Robert Jenrick in new UK 'cash for favours' row,' Open Democracy, 4 July 2020, <https://www.opendemocracy.net/en/dark-money-investigations/exclusive-robert-jenrick-new-cash-favours-row/>

181 Byline Times Team, 'New £14.4 Million Government Contract Awarded to Firm Owned by Conservative Donor,' Byline Times, 11 March 2021, <https://bylinetimes.com/2021/03/11/new-14-4-million-government-contract-awarded-to-firm-owned-by-tory-donor/>

representing a quarter of all donations made to the Conservatives since July of that year – a much higher proportion of donations from the property sector than had been received under the leadership of both Theresa May and David Cameron.¹⁸² Whilst a party spokesman rejected the idea that government policy would be influenced by such donations, Transparency International have argued the Conservatives' increasing reliance on a small number of backers with interests in one sector creates an "unhealthy dependence"... [that] increases the risk of policy becoming captured."¹⁸³

During a June 2023 parliamentary debate, David Davis raised further concerns. He stated:

"Comments from Mohammed Amersi, a Kenyan-born telecoms millionaire who as previously discussed, was named in the Pandora Papers, seem to confirm that political donations can have a sinister purpose, after he described his frustrations at what he called "access capitalism".¹⁸⁴ Amersi previously admitted to buying access to Prince Charles and he has also donated £750,000 to the Conservative Party since 2017.¹⁸⁵ He claims to have paid £250,000 to become a member of the party's "Advisory Board" which has regular meetings with Boris Johnson and leading Cabinet members¹⁸⁶ and became after being promised the chairmanship of a new body, The Conservative Friends of the Middle East and North Africa, a promise that has yet to materialise.¹⁸⁷ The role would have given him significant power and influence as he would have acted as a link between governments in the region and British ministers. Amersi is now mired in an international corruption scandal."¹⁸⁸ The full debate is available on Hansard, which records all parliamentary business.¹⁸⁹

Certainly cash for honours appears now to be accepted orthodoxy. In 2006, when Tony Blair tried to give peerages to individuals who had lent money to the Labour party, an immense row erupted. The scandal arguably triggered the beginning of the end of Blair's leadership in that it weakened Blair's authority and therefore made it easier for Gordon Brown to secure his departure.¹⁹⁰ The scandal led to a police Inquiry that lasted for eighteen months and although there were no charges brought, eminent Labour figures were questioned and arrested.¹⁹¹ Whereas today donations seem to be viewed as a legitimate route to an honour and that change

182 Kadhim Shubber, Jim Pickard and Max Harlow, 'Property donors provide one-quarter of funds given to the Tory party', Financial Times, 29 July 2021, <https://ft.com/content/c5737bb-2893-4a5a-be5e-965785f1a37b>

183 Ibid.

184 Gabriel Pogrud and Henry Zeffman, 'Access capitalism scandal: A dinner with Prince Charles, then the begging letter arrived', The Times, 31 July 2021, <https://www.thetimes.co.uk/article/access-capitalism-scandal-a-dinner-with-prince-charles-then-the-begging-letter-arrived-kngk0xqfk>

185 Ibid.

186 Ibid.

187 Ibid.

188 BBC Panorama, 'Pandora Papers: Tory donor Mohamed Amersi involved in telecoms corruption scandal', BBC News, 4 October 2021, <https://www.bbc.co.uk/news/uk-politics-58783460>

189 Hansard, Adjournment debate, David Davis, Lawfare and its impact on open and democratic freedoms, 29 June 2023. <https://hansard.parliament.uk/commons/2023-06-29/debates/AB9B8F81-7AE0-446A-81E8-6F50DFE7BCC2/Lawfare>

190 Hazel Armstrong, 'Honours: History and reviews,' House of Commons Library, 27 February 2017, <https://researchbriefings.files.parliament.uk/documents/SN02832/SN02832.pdf>

191 Ibid., p. 22

of attitude again bites away at trust in the integrity of our democracy.

A study by *Open Democracy* at the end of 2019 found that almost one in five of an elite group of Conservative Party funders received an honour after they had donated to the Tory Party.¹⁹² Rami Ranger, a British businessman who is said to have donated over £1 million to the Conservative Party was elevated to the House of Lords and was quoted in *India Today* as saying Theresa May “gave me a peerage to make sure that I support the party”.¹⁹³ Boris Johnson’s list of peerages published at the beginning of the summer holidays in 2020 strengthens the argument that cash for honours has become routine.¹⁹⁴ Peerages were awarded to two former Conservative party treasurers who were themselves political donors. Then at the end of 2020 Peter Cruddas – who has donated £3.3 million to the Conservative Party, including a personal gift to Boris Johnson of £658,000 was given a peerage.¹⁹⁵ Cruddas’s nomination had been rejected by the Appointments Commission.¹⁹⁶ He had been forced to resign as party treasurer some years earlier when it was disclosed that he had offered access to the Prime Minister, for a £250,000 donation to the Conservatives.¹⁹⁷ Johnson’s rejection of the advice of the Appointments Commission is unprecedented and further suggests a casual dismissal of conventional checks on executive power by Johnson and his team.¹⁹⁸

The revolving door

Throughout this report I have highlighted examples where connections with key political figures are linked to personal and financial benefits for individuals and companies. There are many more that arise from the revolving door between public office and private employment. Government recruits people to public office from such a narrow pool in such a partisan way that it inevitably creates conflicts of interest, perceived or otherwise. Meanwhile companies hire ex-ministers and civil servants and political-party figures for a purpose; they want to exploit their contacts and they want to take advantage of any inside knowledge. Combined these practices paint a picture of indifference to the basic rules of propriety and expected standards in public life. Mitigating the risks created by the inevitable revolving door has been a longstanding and difficult challenge, but improper use of both relationships and knowledge to secure financial and political advantage must be wrong.

The most high-profile recent example came from David Cameron’s lobbying efforts on behalf Greensill Capital.¹⁹⁹ Even though the financial services company was denied access to a taxpayer-

192 Peter Geoghegan, Seth Thévoz and Jenna Corderoy, ‘Revealed: The elite dining club behind £130m+ donations to the Tories,’ *Open Democracy*, 22 November 2019, <https://www.opendemocracy.net/en/dark-money-investigations/revealed-the-elite-dining-club-behind-130m-donations-to-the-tories/>

193 Peter Geoghegan, Seth Thévoz and Jenna Corderoy, ‘Cabinet Office urged to investigate fresh Tory ‘cash for honours’ scandal,’ *Open Democracy*, 3 December 2019, <https://www.opendemocracy.net/en/dark-money-investigations/cabinet-office-urged-to-investigate-fresh-tory-cash-for-honours-scandal/>

194 Fariha Karim, ‘Peter Cruddas peerage scandal ‘is worst in 100 years,’ *The Times*, December 26 2020, <https://www.thetimes.co.uk/article/peter-cruddas-peerage-scandal-is-worst-in-100-years-fj5067j7h>

195 Steven Swinford, ‘Boris Johnson backs peerage for cash-for-access Tory Peter Cruddas,’ *The Times*, 23 December 2020, <https://www.thetimes.co.uk/article/boris-johnson-backs-peerage-for-cash-for-access-tory-peter-cruddas-t0qv65mr6>

196 Ibid.

197 Ibid.

198 Nicola Slawson, ‘Boris Johnson faces legal action over peerage for billionaire Tory donor,’ *The Guardian*, 12 June 2021, <https://www.theguardian.com/politics/2021/jun/12/boris-johnson-faces-legal-action-over-peerage-for-billionaire-tory-donor-peter-cruddas>

199 Kalyeena Makortoff, ‘Cameron lobbied UK government on behalf of Greensill Capital – report,’ *The Guardian*, 2021, <https://www.theguardian.com/politics/2021/mar/19/cameron-lobbied-uk-government-behalf-greensill-access-covid-loans-reports-says>

backed Covid business support scheme, the Corporate Financing Facility, Cameron did secure more meetings between officials and the company than were granted to others and Greensill ended up accessing other business support schemes.²⁰⁰ The Public Accounts Committee has said that up to £335 million of taxpayers' money is at "increased risk" because of the failure to carry out due diligence.²⁰¹ The whole affair demonstrated that the current rules and the clout of the Advisory Committee on Business Appointments (ACOBA) are not fit for purpose and require urgent reform, a view shared by Lord Eric Pickles, its current Chair when he wrote to the Chancellor of the Duchy of Lancaster in January 2022 and said: "not all former Ministers of the Crown are sufficiently clear on the various standards of behaviour, rules and legislation that are incumbent on them."

There are plenty of other instances where the revolving door is poorly regulated. John Whittingdale took over a week to resign from the board of a media company when he was re-appointed to a ministerial job. The company was lobbying to weaken the BBC, a move that would benefit the company itself.²⁰² George Freeman forgot to get clearance from the Advisory Committee on Business Appointments (ACOBA) for a paid consultancy role with a company that provided protective tents for safely treating Covid patients when he left Government.²⁰³ And former chancellor, Philip Hammond, was rebuked by the committee for contacting a senior Treasury official on behalf of a bank that he advises.²⁰⁴

These are recent examples of a long term problem that has been present across the political parties. In 2005 there was concern expressed at the revolving door between Downing Street and the consultants, McKinsey. David Bennett, a McKinsey director, was appointed head of the No10 Policy Directorate while Sir Michael Barber who ran Tony Blair's delivery unit at No10 went the other way and joined the firm. This is not to impugn any individual by suggesting wrongdoing, but if public money is at stake, any potential conflict arising from revolving door appointments has to be transparently managed through an appropriately strong set of rules.

Public appointments

The power of patronage is very tempting for politicians. It is therefore crucial that there is proper transparency about the appointments process and that effective checks exist to prevent an abuse of the system. In his final report as Commissioner for Public Appointments Peter Riddell observed:

²⁰⁰ Ibid.

²⁰¹ Greg Heffer, 'Greensill collapse £335m of taxpayers' cash at "increased risk" due to "woefully inadequate" checks on firm David Cameron lobbied for, 20 November 2021, <https://news.sky.com/story/greensill-collapse-335m-of-taxpayers-cash-at-increased-risk-due-to-woefully-inadequate-checks-on-firm-david-cameron-lobbied-for-12472928>

²⁰² Peter Geoghegan & James Cusick, 'Exclusive: Boris Johnson's Culture Minister under fire over 'clearly inappropriate' failure to end relationship with media company,' Open Democracy, 2020, <https://www.opendemocracy.net/en/dark-money-investigations/exclusive-boris-johnsons-culture-minister-under-fire-over-clearly-inappropriate-failure-to-end-relationship-with-media-company/>

²⁰³ Peter Geoghegan, 'Tory MP broke ministerial code over paid consulting for Covid-19 tech firm,' Open Democracy, 2021, <https://www.opendemocracy.net/en/dark-money-investigations/tory-mp-broke-ministerial-code-over-paid-consulting-covid-19-tech-firm/> ; Letter by the Office of the Advisory Committee on Business Appointments, 24 December 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/955117/Committee_to_George_Freeman_December_2020.pdf

²⁰⁴ Rajeev Syal, 'Rebuke for Hammond over use of government contacts to assist bank,' The Guardian, 2 September 2021, <https://www.theguardian.com/politics/2021/sep/02/rebuke-for-hammond-over-use-of-government-contacts-to-assist-bank>

“In the last few months, after the end of 2019-2020 and so not reflected in the data, I have heard worrying reports of the growing tendency not to reappoint chairs and members (even where there is support to do so), the rejection of candidates judged appointable by properly established interview panels without any explanation, and attempts to increase the number of political allies serving on such panels...I have been struck by disillusion amongst the chairs of public bodies and the frustration at the way decisions are being made...Moreover since the end of the reporting year I have twice had to remind departments that they should not appoint peers taking a party whip as Senior Independent Panel members...It is equally wrong to seek ideological conformity.”²⁰⁵

These are strong words from the outgoing Chair of a body that exists to check that there is no political bias in the patronage of the Executive. It is worrying that the Government has ignored the words of Peter Riddell and appointed William Shawcross, a highly partisan figure, to succeed Riddell. Shawcross is a Brexiteer, he justified waterboarding at Guantanamo Bay and described Muslims who migrated to Europe as “a vast fifth column...[who] wish to destroy us.”²⁰⁶ His appointment raises legitimate concerns that we may see even greater political interference and bias in public appointments.

Riddell wrote in his final report that 44 public appointments had been made without competition.²⁰⁷ He also revealed that a Conservative peer was chosen to be the “independent” reviewer for a major public appointment, which he complained about to the relevant permanent secretary. There are, of course, appointments of Labour figures – Jacqui Smith and Patricia Hewitt chairing health bodies for example – but these exceptions do not undermine the argument that patronage is being used inappropriately to extend the Executive’s reach and seemingly reward its friends.

There are two particularly worrying examples that need chronicling. The first relates to the two appointments of Dido Harding, without competition, with no transparency and with little due process, as head of NHS Test and Trace and as head of the new National Institute for Health Protection. She has now resigned from both positions following the performance of Test and Trace which was generally seen as disastrous and her failure to be shortlisted to run the NHS under the new Health Secretary, Sajid Javid.²⁰⁸

Government can, of course, appoint appropriate individuals without competition to tackle specific tasks. Louise Casey was appointed without competition to tackle the crisis in rough sleeping. But Harding’s CV did not make her the obvious choice. She carries legitimate question marks from her time as Chief Executive of TalkTalk when she presided over a massive leak of four million customers’ personal data.²⁰⁹ She has strong connections to the Conservative Party, having known David Cameron since her university days and being married to a Conservative MP,

205 Commissioner for Public Appointments, ‘Annual Report 2019/2020,’ 2020, <https://39h2q54dv7u74bwyae2bp396-wpengine.netdna-ssl.com/wp-content/uploads/2021/01/OCPA-19-20-Annual-report-final-26-11-2020.pdf>

206 Fran Hawthorne, ‘Justice and the Enemy: due process must yield to terror fight – review,’ The National News, 2020, <https://www.thenationalnews.com/arts-culture/books/justice-and-the-enemy-due-process-must-lead-to-terror-fight-1.407912476>

207 Ibid.

208 Kate Whitfield, ‘Dido Harding salary; Eye-watering loot of Tory ‘chum’ at head of disastrous Test and Trace,’ the Daily Express, 2021, <https://www.express.co.uk/news/uk/1538016/dido-harding-salary-net-worth-legal-action-nhs-test-and-trace-evg>

209 G. Iacobucci, ‘Dido Harding: the former business leader now heading up England’s covid-19 response,’ BMJ 2020

John Penrose, who ironically acts as the anti-corruption champion.²¹⁰ She has been ennobled and when she appeared before the Committee to confirm her public appointment, she refused to relinquish the whip although the convention has always been for Chairs of Public Bodies to do precisely that to inspire confidence in their non-partisan approach to their public role.²¹¹ Even the gentle former Treasury Permanent Secretary, Nick Macpherson described the £37 billion spent on Test and Trace as “the most wasteful and inept public spending programme of all time.”²¹² This case graphically demonstrates how political interference in public appointments can undermine taxpayers’ interests.

The other concerning example is the appointment of James Wharton to head the Higher Education regulator, the Office for Students (OfS).²¹³ I knew James Wharton when he first became a Member of Parliament and joined the Public Accounts Committee that I was chairing at the time. I saw him as a quiet man who was clearly political in his approach to the work of the Committee and that trait in his character has been confirmed by his refusal to give up the Conservative whip in the House of Lords on securing this public appointment. A lawyer and lobbyist by background he has shown little interest and expertise in higher education. He served as a minster in two Whitehall departments but lost his seat in 2017 and re-emerged as the campaign manager for Boris Johnson’s leadership bid.²¹⁴ He later received a peerage. He secured the position at OfS after being interviewed by a panel that comprised: Susan Acland-Hood, the new Permanent Secretary at the Department for Education appointed after the previous Permanent Secretary was sacked; Patricia Hodgson, the ex-Chair of Ofcom who stood as a Conservative candidate; Eric Ollerenshaw, a Conservative MP who lost his seat in 2015; Laura Wyld, who is a Conservative Peer; and Nick Timothy, who worked for Theresa May in No 10. While some of these figures have relevant knowledge of the higher education sector and experience in non-executive and regulatory contexts, this is a group of people who do little to inspire confidence that the appointment was not politically motivated.²¹⁵ Six candidates were invited to interview as they were deemed to have met the bar, of which four were found appointable. The outcomes of the interview stage were presented to the Secretary of State who named Lord Wharton as his preferred candidate to be the next Chair of the Office for Students. Wharton’s appointment was widely criticised, but the Government remains mostly impervious to such accusations.

Now this is all coming full circle. Moody’s credit rating agency downgraded the UK credit status in October 2020 citing “the weakening in the UK’s institutions and governance”

210 Mikey Smith, Helen William and Dan Bloom, ‘Anger as Dido Harding, Tory peer pal of David Cameron, lined up to lead new health body,’ Daily Mirror, 18 August 2020, <https://www.mirror.co.uk/news/politics/anger-dido-harding-tory-peer-22538524>

211 Dido Harding, ‘Letter for Sarah Wollaston MP – NHS Improvement,’ October 27 2017, <https://www.parliament.uk/globalassets/documents/commons-committees/Health/Correspondence/2017-19/Correspondence-from-Baroness-Harding-of-Winscombe-NHS-Improvement-24-October-2017.pdf>

212 Nick Macpherson, ‘The wins the prize for the most wasteful and inept public spending programme of all time. The extraordinary thing is that nobody in the Government seems surprised or shocked. No matter: the BoE will just print more money. #soundmoney,’ Twitter status, 10 March 2021, <https://twitter.com/nickmacpherson2/status/1369554007472082944>

213 Peter Walker, ‘Former Tory MP in row over appointment as head of Office for Students,’ The Guardian, 2021, <https://www.theguardian.com/education/2021/feb/10/former-tory-mp-in-row-over-appointment-as-head-of-office-for-students>

214 Ibid.

215 House of Commons Education Committee, ‘Appointment of the Chair of the Office for Students,’ 2 February 2021, <https://committees.parliament.uk/publications/4575/documents/46287/default/>

as one reason for the move.²¹⁶ Moody's also said the country in recent years has been a "fractious policy environment".²¹⁷ The questionable or potentially corrupt practices that I have highlighted are actually harming our long-term economic prosperity as our hard-won reputation is degraded. I have long maintained that we will never prosper off the back of dirty money but I am distraught at how prescient that prediction appears to be. The sheer scale of what has happened demonstrates that these bad behaviours have become normalised – as does the response from the public on these issues. It seems that bad behaviour or sleaze are becoming "priced in" to our politics, as they have long been in our economy.

216 Eric Platt, 'UK credit rating downgraded by Moody's,' Financial Times, October 17 2020, <https://www.ft.com/content/117349e4-dc95-4509-969b-26dcdede1773>

217 Ibid.

Conclusion

In this paper I have set out the extent, breadth and depth of financial wrongdoing that takes place in Britain and which we facilitate elsewhere in the world. Our corporate structures, our poor regulatory framework, our weak enforcement, our secrecy and links to secrecy jurisdictions, and our lack of accountability all contribute to the expanding role Britain plays in the murky world of illicit finance.

I have further argued that the culture, practices and people associated with tax avoidance, evasion, money laundering and other crimes are infecting our politics and public services. Bad behaviour that has always existed on the margins of our society is now seeping into the mainstream. Ensuring probity and good governance in a mature democracy that has no written constitution is dependent on demonstrating respect for those institutions that hold the executive to account. When we undermine those pillars that support our democratic traditions and when we allow money or political loyalty to influence and affect the public sphere, we inevitably damage our status and reputation as a trusted jurisdiction governed by the highest standards in public life.

My observations come from my experience as someone who has held public office as a Councillor and a Member of Parliament for nearly 50 years. I hope others will further analyse and research the themes that I have explored in this paper in order to deepen our understanding of the links between corrupt money and corrupt politics. In my view, Britain today is in danger of losing its moral compass. We seem to believe that we can build sustained economic growth on the back of illicit finance. And those who lead us seem to think that as long as they can connect with voters through populist rhetoric, they can break the rules, trample over the institutions that act as a check on their power, and pursue self-interest at the expense of the public interest – and do all this with impunity.

We could, however, change direction quickly and effectively if we decide we want to do so. By pursuing action to enhance transparency, by reforming our regulatory framework to make it fit for purpose, by ensuring rigorous enforcement of the rules, and by embedding accountability into our financial and democratic systems, we could restore honesty and integrity to our economy and our politics. We will only enjoy sustained prosperity through high standards and we will only maintain our global reputation as a trusted jurisdiction if we reform. The choice is ours.

Recommendations (in full)

Throughout this paper I have explored the relationship between financial malpractice in our economy and corruption in our political sphere. Successive governments have driven Britain towards a “get-rich-quick” economic model built on loose finance and illicit money. We are now seeing the consequences of this approach as corrupt practices and malign influences seep into the public domain. Yet it is not too late to turn back the tide. Here are my recommendations for changing direction and restoring our reputation as a trusted jurisdiction on the international stage. This is not a comprehensive list of policies, but a set of achievable steps and objectives that would help government to bear down on the UK’s role as a facilitator of economic crime and to rid our politics from the decaying influence of corruption. These recommendations are not necessarily original and are informed by the work of many experts, including civil society and the Committee on Standards in Public Life chaired by Lord Evans. I am grateful to them all for their ideas.

There are four broad principles that underpin all the recommendations: transparency, regulation, enforcement and accountability.

Transparency

1. Reforms to strengthen integrity and restore trust in our politics by overhauling and expanding the standards of **transparency in public life**.

Transparency is a key measure of a healthy democracy. It often emerges as the main driver to raising standards. There are a number of ways in which transparency can be improved. Here are just some examples:

- Better information on the provenance of **political donations**, on who the political donors are and stronger rules defining who is entitled to donate to a political party should be established. More comprehensive data on political donations should be required and the information should be open to public inspection.
- A publicly available, easily accessible central register of all **government meetings and lobbying** data should be created, covering inter-departmental meetings that currently slip through the net.
- The system of **public appointments** needs to be overhauled. The remit should be extended to cover, for example, non-executive directors in Government departments. The system needs to be placed on a statutory footing so that the recommendations of the Commissioner for Public Appointments are implemented; membership of interview panels should be non-partisan and should be published
- Finally, **Freedom of Information** rules must be fully upheld so that government cannot avoid scrutiny as evidenced in recent *Open Democracy* reports.

2. Public registers of beneficial ownership must be faithfully implemented in the **Overseas Territories** and **Crown Dependencies** by 2023.

The implementation protocols must meet the intention of Parliament to secure full and accurate data on beneficial ownership. Transparency will help to clamp down on the abuse of shell company structures in these jurisdictions and allow us to better follow the money. It is a vital tool in the fight against tax avoidance, illicit finance and corruption. The Government must ensure no more delays and support the jurisdictions to create robust and effective open registers.

3. The Government must bring forward its promised legislation for a public register of the overseas beneficial owners of UK **property**.¹

To combat the well documented exploitation of UK property, there is urgent need for an open register of the offshore or overseas beneficial owners of UK properties. Transparent and accurate data on property ownership, will help us to follow the money, inhibit the exploitation of property ownership for money laundering purposes, and limit questionable individuals from abusing our property market. The Conservatives first promised a public register of UK property ownership in 2016; consulted in 2017; produced a draft bill in 2018; promised legislation in the 2019 Queens Speech; and committed to it again at the recent G7.² The Government must finally bring this legislation to Parliament.

4. The **procurement reform** process being undertaken by the Government must be completed and strengthened.

Public procurement now covers more than half of all Government spending on services, totalling some £284 billion per year.³ Yet our existing system is inefficient, paper-based, and hampers the delivery of better public goods and services. A lack of transparency and effective real-time information renders our procurement system vulnerable to abuse. There has also been a concerning concentration on too-big-to-fail suppliers, so that genuine competition has been stifled, often at the expense of smaller businesses; and value for money has been sacrificed.

In December 2020, the Government published a green paper entitled *Transforming Public Procurement*.⁴ In the wake of the procurement scandals during the pandemic, the proposed reform is timely. Transparency will be built into the new approach which will adhere to the Open Contracting Data Standard.

The Government must urgently ensure parliamentary time is made available to introduce the necessary legislation that would make these reforms a reality. Moreover, they must go

1 UK Parliament, 'Non-UK Residents: Property Ownership Register,' Hansard, 2 November 2021, <https://hansard.parliament.uk/lords/2021-11-02/debates/9C6D47CA-17DF-4994-AF19-F3103424E12F/Non-UKResidentsPropertyOwnershipRegister>

2 Ibid.

3 nature of contracting in the UK,' 2021, <https://www.instituteforgovernment.org.uk/summary-government-procurement-scale-nature-contracting-uk>

4 Cabinet Office, 'Green Paper: Transforming public procurement,' Gov.uk, 15 December 2020, <https://www.gov.uk/government/consultations/green-paper-transforming-public-procurement>

further to ensure that the reforms deliver on their promise. The National Audit Office should be tasked with monitoring procurement by scrutinising and reporting publicly on private contracts funded by taxpayers to ensure both probity and value for money. Freedom of Information provisions should be extended to cover private contracts delivered through taxpayers' money. We must also prevent poor performers, companies that deliberately avoid tax, and those convicted of corruption or fraud from winning contracts with an effective debarment regime.

5. A transparent register of the beneficial owners of UK **land** and an open register for **trusts** should be explored.

The debate over transparency for company ownership has, for the most part, been won. Global standards are shifting towards public registers of beneficial ownership for companies being the norm. By 2023, these registers will be in place for both the UK and its offshore tax havens.⁵ The next reform is for the ultimate beneficial owners of trusts to also be made publicly accessible. In the meantime, the Government must lower the high bar for third parties to demonstrate that they have a legitimate interest in accessing information on its existing trusts register. This would aid civil society, investigators, journalists and campaigners in researching and combatting the abuse of trusts for financial crime.

While we still await progress on the public register for property ownership, the next step is to start considering the implications of the secrecy surrounding the ownership of UK land. Just as with property, oligarchs, kleptocrats, criminals or tax avoiders can use offshore structures to become major landowners. Research must be undertaken to identify the size of this problem, to assess whether this presents a risk of financial crime and then, if necessary, implement a transparent register for the ownership of UK land.

Regulation

1. The long-awaited **Companies House reforms** must be urgently implemented.

Our regulatory framework for corporate vehicles is frequently abused. Transparency should enable us to see where illicit finance flows. However, this can only happen if data is accurate and up to date. Currently there is no verification of the information contained in the UK beneficial ownership register. Companies House is merely a library and there is little confidence in the accuracy of the information it contains. The information is not checked and the registrar has limited powers to investigate where they believe there may be cause for concern. There is little to stop wrongdoers from listing incorrect information or falsifying their accounts. That's why we need the company registrar to have more resources and stronger powers to both verify and police information that is listed.

⁵ World Bank, 'Beneficial Ownership Transparency,' Enhancing Government Effectiveness and Transparency: The Fight Against Corruption, 2019, <https://thedocs.worldbank.org/en/doc/734641611672284678-0090022021/original/BeneficialOwnershipTransparency.pdf>

Ministers must put into action the reforms that have long been on the table to haul our company registrar into the 21st century. The longer they delay, the longer they are leaving our corporate structures vulnerable to abuse. The Government has already committed around £20 million extra in funding to Companies House but must go further to ensure the body is properly resourced. The Government could increase the cost of setting up a company in the UK – which is very cheap by international standards at £12 – and quadruple it to around £50, using the money raised to directly fund more effective regulation through Companies House.

2. Tougher and more effective regulation of the **financial services industry** is needed.

Our existing regulation of the financial services industry is not fit for purpose. The first step is to ensure that the Financial Conduct Authority actually uses its existing powers to sanction and fine organisations that are responsible for economic crimes. However, as the FinCEN Files demonstrated, fines alone are not enough as they can merely be regarded as a business cost by the large banks.⁶ So this must be coupled with new corporate liability laws (see below) to hold companies and their employees to account for their actions. Individual directors must be held to account for their actions if behaviour is to be improved.

Other steps should be taken to strengthen regulation. The suspicious activity reports regime simply does not work. The focus as it stands is on quantity rather than quality, which creates an overwhelming amount of data for law enforcement. The financial services sector – and other enablers – should be required to add a risk rating (e.g. from one-10) to future SARs. That would enable the regulator to prioritise high-risk activity. Moreover, the Government must create legal gateways for the banks to share information. Private sharing of information on suspicious transactions could, according to financial services insiders, allow banks to give “slam dunk” cases to law enforcement.

3. Regulation of **Trust and Company Service Providers** should be strengthened and overseas providers banned from incorporating companies in the UK.

There is currently a “wild west” approach to company formation. HMRC is the regulator of UK based trust and company service providers but they do not take a robust approach. Many formation agents do not even bother to register. Meanwhile, overseas providers can set up companies without any regulatory intervention and thus they can act with impunity. This must stop. The Government must make all UK-based providers register with HMRC and give that body tougher regulatory responsibilities. Furthermore, it should bar overseas providers from being able to set up UK companies.

⁶ Scilla Alecci, “Enough is enough’: How FinCEN Files exposes a broken system that keeps dirty cash flowing,’ International Consortium of Investigative Journalists, October 29 2020, <https://www.icij.org/investigations/fincen-files/enough-is-enough-how-fincen-files-exposes-a-broken-system-that-keeps-dirty-cash-flowing/>

4. Overhaul the Money Laundering Regulations and the **Office for Professional Body Anti-Money Laundering Supervision** (OPBAS).

Our anti-money laundering regulations (MLRs) need urgent reform. The Government recently concluded a consultation on making minor adjustments to the 2017 MLRs.⁷ Their suggested reforms include more robust regulation of art market dealers, some stringent requirements on trust and company service providers, and increased data gathering duties for cryptocurrency brokers. I support these initiatives but they simply tinker around the edges of our weak regulatory framework. Instead, I recommend a more comprehensive overhaul of the MLRs to increase their effectiveness. Many existing money laundering supervisors currently fail to meet basic standards of good governance or effective supervision. This must change so that they offer more robust guidance and advice, coupled with stronger audit and enforcement capabilities.

That must be coupled with a root-and-branch reform of the toothless OPBAS. This body oversees 22 legal and accountancy sector supervisory bodies that should be holding their professional members to certain standards. The supervisory bodies should also be scrutinising the professionals in their efforts to minimise financial crime. Yet OPBAS' most recent report was damning on the effectiveness of self-regulation – for example, four in five of these supervisory bodies are yet to put in place efficient, risk-based approaches to supervision.

5. The Government should **strengthen the powers** and authority of the **Electoral Commission** rather than weaken it.

The Elections Bill that is currently being considered by Parliament will curtail the authority and operational independence of the Commission. It will also extend the rights for British citizens living overseas to vote in UK elections and to donate to UK political parties, which creates significant risks of more questionable donations or influences in our politics. The Government should rethink this legislation and instead give appropriate powers to the Commission to transparently scrutinise political donations and to determine rules of eligibility for donating. It should have the authority to levy significant fines where appropriate. To give one example; potential donors – whether individuals or businesses – that are under investigation by any UK enforcement agency or that have links to corrupt regimes should be barred from donating to political parties.

6. Crack down on **lobbying** and the **revolving door** between the public and private sectors.

Government should define rigorously the jobs that former ministers and civil servants are permitted to take when they leave public office as well as setting longer and more appropriate time periods during which former public servants are excluded from taking on roles associated with their work in government. All MPs should be banned from taking on

⁷ HM Treasury, 'Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 Statutory Instrument 2022 July 2021 Consultation,' July 2021, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004603/210720_SI_Consultation_Document_final.pdf

regular paid consultancy work with private sector companies while they are MPs. People from the private sector who come into Government should be bound by enforceable rules governing how they use the privileged information they have access to when they return to their private sector roles.

Recent scandals have demonstrated that the existing boundaries for former public servants to go on to earn money from the private sector when they leave public office are too blurred. Former government ministers and even Prime Ministers are able to cash in too easily on their contacts and influence for private gain in the corporate world. Meanwhile, professional experts can take on advisory roles in government giving them privileged knowledge which they can then exploit in the private sector. The Government should therefore reform the Business Appointment Rules and abolish the Advisory Committee on Business Appointments (ACOPA), which assesses new jobs for former ministers or senior civil servants. In its place we need a new statutory watchdog with real teeth that has powers to stop inappropriate lobbying.

Enforcement

1. Reform the **offence of misconduct in public office** as recommended in recent Law Commission proposals.

Our current law for holding those in public office to account is outdated and in need of reform. The common law offence of *misconduct in public office* has existed for hundreds of years. In 2020, the Law Commission reported after a near decade-long investigation to update the legislation. They made a number of recommendations for updating our inadequate legal sanctions for holding public officials to account for bad or corrupt behaviour. These include splitting the existing offence into two new statutory offences: corruption in public office; and breach of duty in public office. The former would be the more serious of the two offences and “would criminalise a public office holder who ... uses or fails to use their public office for the purpose of benefitting themselves or causing a benefit or detriment to someone else.” Implementing these Law Commission offences would help us to robustly deter and punish wrongdoing in public life

2. Put in place a legal framework with appropriate offences so that the **enablers of financial crime** are held to account for their advice and actions.

There is a growing legion of enablers who help rich individuals and powerful corporations to avoid or evade tax and collude to engage in economic crimes, like money laundering. They include lawyers, accountants, estate agents, advisers and others. They often create the corporate structures that provide cover for unacceptable activity. They provide legal cover for questionable arrangements. They buy and sell the houses, art, or assets which serious organised criminals or the corrupt use to bring their money into the legitimate financial system. They provide public relations and even private investigation services. These enablers facilitate the arrival of the illicit finance that destabilises our economy and endangers our national security yet they are rarely held to account. We need to put that right

by introducing offences to punish those who engage in these immoral or illegal practices. This would serve as a powerful deterrent preventing people from using their professional expertise to facilitate wrongdoing.

3. The Treasury must properly **resource** and **equip** the enforcement agencies.

For too long our enforcement agencies have been under-resourced and under-funded. Economic crime and corruption has fallen down the pecking order while other crimes have taken priority. But the imbalance of arms between our law enforcement – the National Crime Agency, the Serious Fraud Office, HMRC, police or enforcement departments within regulatory bodies – and those that look to launder their money in the UK is devastatingly large. We are effectively going to war with little more than toy soldiers and paper aeroplanes. The Government must ensure that these agencies have the requisite funding to properly investigate and prosecute corruption and economic crime. HMRC demonstrates that an “invest to save” strategy works, and this approach should be followed across the regulatory landscape.

Doubling existing budgets would be a start, especially for the SFO and the National Economic Crime Centre, as fraud has rocketed since the pandemic began. The delayed but imminent Economic Crime Levy will help a little. It will raise money from the financial services sector, but it barely touches the sides of the challenge. In a recent meeting with senior compliance and anti-financial crime personnel from a group of major banks, the banking officials claimed that the overall compliance expenditure in the regulated financial services sector is roughly £49.5 billion. Yet the levy is due to raise as little as £100 million. Even if the figures given by the banking sector are exaggerated, the gap is still huge. As a start, the Economic Crime levy should be increased.

4. Our outdated and ineffective **corporate liability** laws must be reformed.

We must overhaul our corporate criminal liability laws here in the UK. The worst culprits for facilitating or instigating economic crimes are often multinational enterprises or major financial services providers. However, the way that these multinationals operate means that it is virtually impossible to hold them accountable. In most cases, a company cannot be prosecuted for the actions of its senior staff, and the senior staff cannot be prosecuted for the actions of the company. Campaigners and experts have proposed that we create an offence based on “vicarious liability” – as seen in the US and other jurisdictions – where the actions of an employee are attributable to the company. This would make prosecutions of companies for economic crime more possible and practicable.

A further urgent reform involves the introduction of a “failure to prevent” offence for economic crimes. This would allow us to hold companies and senior executives more easily to account for failing to stop economic crimes in their organisations. Such an offence already exists for bribery and tax evasion; it should be extended to cover money laundering and other economic crime.

5. Facilitate tougher enforcement by implementing **financial caps on fees** that government agencies can incur when prosecuting financial crime.

As it stands, law enforcement agencies are reluctant to prosecute economic crimes, especially against multinational corporations or wealthy individuals, because they fear having to pay costs if they fail. So agencies are simply not using their existing powers, such as Unexplained Wealth Orders, to the full. The Government should therefore put in place a cap on the fees that these agencies can incur when prosecuting.

Accountability

1. Reform the **Ministerial code** and the **Independent Adviser on Standards**.

The Ministerial Code has fallen into disrepute. Where ministers do not uphold the highest standards of integrity and propriety they face few consequences.

The bar for resignation seems to rise ever higher and higher. The Government should therefore strengthen the framework of accountability and scrutiny over ministers, and reinforce the importance of the Nolan Principles. They must create stronger statutory powers and obligations on ministers, ensure clarity over what is classified as breaking the rules, and include codified penalties for wrongdoing. The Prime Minister should have to publicly account to Parliament for implementing the code and justify any instances of overruling. Furthermore, the appointment of the Independent Adviser on Ministerial Standards should be subject to parliamentary scrutiny. The Adviser should have the authority to start their own investigations and their reports should be published.

2. Reassert and **strengthen the independence of Parliament** so that its role in holding the Government to account is reinvigorated.

A hazard of our system of democracy is that a government with a large majority can exercise huge power and can either ignore or flout the will of Parliament. It is depressing to see that powerful reforms designed to strengthen the independence of Parliament and to support Parliament in holding the Executive to account have been undermined. There are dangers for any Executive in simply using a parliamentary majority to exercise its executive will. We saw that danger when the Prime Minister attempted to overrule the Parliamentary Committee on Standards in relation to Owen Paterson's lobbying.

Government must be accountable to Parliament. Strengthening Parliament is central to ensuring good governance and providing a check on the abuse of power that has allowed wrongdoing to seep into our public realm. There should be effective sanctions against ministers if they seek to bypass Parliament. These are some ideas that Parliament itself could explore.

Parliament through its Select Committee structure should undertake a review of how it functions. This is not the place to prejudge that review. But there are some simple changes that could strengthen our democracy, improve accountability and ensure high standards in

public office. The Speaker's role should be transparently defined; the officers of the House should not see themselves as part of the Civil Service but should be first, foremost and only servants of the House. The Select Committee system should be further strengthened; no political leader should influence Select Committee elections; the power of select committees to call for papers and witnesses should be strengthened; the support to Select Committees should be enhanced. There should be a Select Committee that holds HMRC to account to ensure that all taxpayers are treated equally under the law. Scrutiny could be carried out in private sessions to maintain taxpayer confidentiality, but HMRC needs to be accountable to Parliament.

3. Reform governance and standards within the **Civil Service**.

The code of ministerial accountability under which civil servants are accountable to ministers who are then accountable to Parliament is in urgent need of reform. The system was established in 1918 when Government was much smaller and accountability was much simpler. Today holding both ministers and civil servants to account is very challenging. Responsibility is opaque, decision making is secretive and the boundaries between policy and implementation too often blurred. If we want to establish high standards in public life we need to know who is responsible and they need to be held to public account.

Building on the model that exists in local government, civil servants should be more directly accountable to Parliament, and through Parliament to the public. That would mean policy advice becomes more transparent. That visibility can only improve the quality of decision making, with debate on the merits of a proposal becoming subject to greater public scrutiny. Such reforms are difficult and controversial. They do not undermine ministerial powers, but they do make the exercise of such powers more open and accountable.

In order for the Civil Service to effectively fulfil its function of accountability and better decision-making, standards and governance within it must improve too. The recent Boardman reviews into procurement and supply chain finance provide some key recommendations for the Civil Service. These should be implemented with urgency. Examples include tighter rules on conflicts of interest, stronger controls on second jobs for senior officials, and limiting the dangers of lobbying and the revolving door. The Civil Service should also bring in better whistleblowing regulations to protect those that lift the lid on wrongdoing.

4. Protect and enhance the role of the **judiciary** and the **press** in maintaining checks and balances on the power of the Government .

The Government must not undermine the pillars of accountability that place checks and balances on those in power. Transparent accountability leads to better and more effective government. Alongside Parliament and the Civil Service, the roles of our independent press and judiciary and their contribution to our democracy are vital and must be protected. Consistent attempts by government ministers to undermine the BBC must be halted. Threats to abolish the licence fee endanger its public service broadcasting remit; its independence must be maintained through a transparent and apolitical appointments process for senior positions. Equally disturbing is the current government's proposals to limit judicial review and create new powers for ministers to "correct" a judge's decision. These reforms must be wholeheartedly rejected; an independent and robust judiciary is vital in holding back the tide against wrongdoing, including corruption and financial crime.

This may not be a comprehensive set of proposals, but these recommendations would all contribute towards restoring faith in our economy and in our democracy. They would create a more transparent environment, with tougher regulation, more effective policing, and provide greater accountability. Only by these means can we challenge and defeat the culture of wrongdoing and corruption that is currently engulfing us.



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