

The government must stop the UK being used as a haven for illicit wealth if it wants to lead on tackling global corruption

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By Democratic Audit UK

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Steve Goodrich assesses the significance of the Panama papers leak for the UK and writes that evidence so far raises serious questions over the role of British intermediaries and the UK property market in facilitating global corruption. He outlines several recommendations for steps the government can and should take if it is serious about preventing the country from being used as a safe haven for corrupt individuals.



Mayfair. Credit: [Axel Drainville](#) CC BY-NC 2.0

The [Panama papers](#) make for extraordinary reading. This is the biggest leak of information in the world to date, covering some of the most controversial and colourful characters in the globe who have hidden their affairs behind the mask of 'anonymous' companies. Considering the sheer amount of data leaked, it's highly likely stories about the files will be published for weeks, if not months, to come. However, despite the scale of what's being published, some people might still be wondering how this affects the UK. Before we do that, let's recap what these secretive companies are and why they are important.

What's wrong with anonymous companies?

In mainland UK, companies have to declare their directors and secretaries on a regular basis. From June 2016 they will also have to declare if there is anyone who has significant control over the company but historically might not have appeared in their paperwork submitted to [Companies House](#). This means if a UK company is doing business with a local authority or buying a house in London, it should be relatively easy to find out who's interests it represents and where their money might have come from.

Anonymous companies and trusts, on the other hand, are designed to hide this kind of information, allowing a cloak of secrecy for those looking to hide their identity behind layers of nominees and agents. There are places that

specialise in providing a secure business environment for these arrangements, for example, many of the UK Overseas Territories, Crown Dependencies and the US state of Delaware.

Although there are legitimate and legal uses for opaque corporate structures, organisations like [Transparency International UK](#) have been highlighting for years how they are used to facilitate global corruption. In 2011, a World Bank study found that 70 per cent of over 200 corruption cases involved the use of anonymous shell companies. Companies like these were also used by the likes of [James Ibori](#), the corrupt Nigerian state governor, and [Saadi Gaddafi](#) to launder tens of millions of pounds worth of stolen funds into the UK.

What have they got to do with the UK?

The majority of anonymous companies set up by Mossack Fonseca – [113,648 out of a 214,000](#) – were registered in a UK Overseas Territory, the British Virgin Islands. This is effectively UK sovereign soil. Also, banks, lawyers and accountants in the UK were the second most popular choice of intermediaries for Mossack Fonseca when it was setting up anonymous companies. Considering these secretive corporate structures are often used to launder stolen funds, some of these enablers may have unwittingly or wilfully been involved in facilitating global corruption. From the evidence released so far, there are certainly some very serious [questions about the due diligence checks](#) certain UK firms have been doing on their clients.

The UK's property market has historically also been a particular target for those looking to launder the proceeds of corruption. According to data from UK law enforcement, [over 75 per cent of properties under criminal investigation](#) since 2004 for being the proceeds of corruption were owned by companies based in secrecy havens like the Overseas Territories and Crown Dependencies. Between 1999 and 2014, 89 per cent of the properties purchased in London were by companies registered in these jurisdictions. The FT has calculated that at least [£122billion of property in England and Wales](#) is held by anonymous companies.

Although more research needs to be done to examine how much of this money may be from corrupt or illicit sources, there has already been suggestions that it is having an impact on our capital city. Donald Toon, a director at the UK's National Crime Agency, has claimed that [corrupt and illicit funds are having an impact on high-end property prices](#) in London, which might be skewing the rest of the market. The issue has become such a hot topic that the Prime Minister, David Cameron, [announced in Singapore last year](#) that "There is no place for dirty money in Britain". And rightfully so.

These funds are stolen from state budgets in some of the most impoverished countries in the world. Money laundered into a Highgate home or Mayfair mansion is money not put towards education, healthcare and jobs. The UK Government and law enforcement should be doing its utmost to identify when this money is brought into our economy, freeze it and repatriate to its rightful owners.

What can the UK do to help stop all of this?

To its credit, the UK Government is starting to take action by looking to introduce [greater transparency about foreign companies owning property in the UK or undertaking public contracts](#). However, there is still a lot more that it needs to do to stop the UK being used as a safe haven for corrupt individuals and their illicit wealth. Firstly, it needs to push the Overseas Territories and Crown Dependencies into introducing greater transparency about companies registered in their jurisdictions. Secondly, it needs to provide law enforcement with greater civil powers to deal with suspected proceeds of corruption by introducing an [Unexplained Wealth Order](#). And thirdly, the UK's anti-money laundering system needs a complete overhaul, including retrospective checks on those the Home Office have let into the UK via [its Tier 1 \(Investor\) visa system](#).

On 12 May this year the Prime Minister will be hosting a global anti-corruption summit in London. This is a great opportunity for the UK to show that it's a world leader on this issue. However, if corrupt individuals are allowed to continue to buy up luxury property and enjoy life in the UK, then the UK Government risks its credibility in leading

efforts to tackle corruption on the global stage.

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