



the payments association

March 7th 2022

Rt Hon Rishi Sunak MP, Chancellor of the Exchequer
House of Commons
London
SW1A 0AA

Dear Minister

Sanctions against Russia are vital but we must close the Companies House back door route for Russian dirty money

Russian companies and their owners continue to use UK formed companies to deliberately conceal their identity and origins. However, the technology already exists that plugs the holes in the current Companies House' structure / capabilities.

The Payments Association, which represents many firms in the payments industry, is calling for urgent action from the government to tackle the issue of economic crime which has such significant negative impacts on the whole of British society. Its impacts are not just damaging to our economy but also undermine confidence in the choice of Britain as a place to do business. Action is particularly important now as the UK remains a haven for Russians to hide their illicit wealth and exploit our open society. We welcome the Prime Minister's statement that in addition to sanctions against Russian banks and entities "parts of the Economic Crime Bill will be brought forward before Easter".

The Leader of the Opposition has called for the Russian invasion of Ukraine to be "a turning point", and he added: "We need an end to oligarch impunity, we need to draw a line under Companies House providing easy cover for shell companies, we need to ensure that our anti-money-laundering laws are enforced."

The government's track record to date on dealing with the surge in economic crime is poor. Data from the Office for National Statistics for the year ending June 2021 suggests there was a 43% increase in fraud and computer misuse crimes compared to 2019. Fraud and cyber-fraud now account for more than half of all crime in the UK, however, minimal police resource is allocated to it.

When the Government Treasury Minister and Cabinet Office Minister Lord Agnew resigned from both his posts, he gave a scathing rebuke to his government colleagues over COVID business loan fraud. Lord Agnew commented that "Schoolboy errors" had been made by the Covid loans scheme; bounce-back loans were given to more than 1,000 companies that had not even been trading when Covid struck. Lord Agnew estimated that total fraud across the public sector now ran at £29bn a year, or about 5p on income tax. He particularly criticised the

Treasury which he said has “no knowledge of, or little interest in, the consequences of fraud to our economy or society”.

The Public Accounts Committee report published on 11th February 2022 criticises the Government over its financial response to the coronavirus pandemic. The estimated loss from fraud and error across all Covid-19 state-backed business schemes is expected to be at least £15bn, according to the report. This figure includes losses from the furlough scheme, the various state-backed loan programmes, grants, the “eat out to help out” initiative and universal credit welfare payments

The chairwoman, Dame Meg Hillier, said a 'lack of preparedness and planning' had led to 'an unacceptable level of mistakes, waste, loss and openings for fraudsters'. The report says “Crucially this must ensure lessons are learned for when the next big crisis hits - be it climate, health or financial.”

We welcome the recent action by the government:

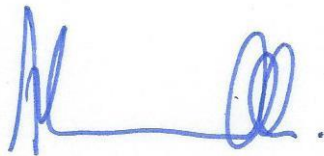
1. The introduction of the Economic Crime (Transparency and Enforcement) Bill to set up a register of Overseas entities and their beneficial owners, to strengthen unexplained wealth orders and to make provision about sanctions. We hope that the Bill will be passed soon.
2. The introduction of a White Paper on Corporate Transparency and (Companies House) Register Reform – under the reform programme Companies House 'will transform every aspect of its skills, culture, operating model, and services'. We hoped that reforms to Companies House could take place much quicker – it appears that reforms will be introduced over several years. Anyone who follows Graham Barrow Director of the Dark Money Files on LinkedIn <https://www.linkedin.com/in/greybrow53/> will know that many companies are currently being formed each day with Russian connections and with details which should be sufficient to exclude them from the register such as a paid up share capital of £100,000,000,000,000 (yes, £100 trillion) more than the entire globe's GDP for 2021.
3. The introduction of Sanctions on Russian and Russian linked businesses and individuals as a result of the Russian invasion of Ukraine. If a person or entity is designated to be sanctioned their name is recorded on the Consolidated List. An asset freeze and some financial services restrictions will apply to entities that are owned and controlled, directly or indirectly, by a designated person. Those entities may not be designated in their own right so their names may not appear on the Consolidated List. Yet those entities are similarly subject to financial sanctions. This emphasises the importance of holding up to date and accurate beneficial ownership records along with appropriately detailed Know-your-Customer information, in order that this particular risk can be evaluated. The frequency of introduction of new sanctions in recent days has emphasised the importance to AML regulated entities of finding suppliers who update their lists in real time and use appropriate technology to achieve this. Regulators should make this part of their assessment of compliance.

However, we urge the government to implement the remaining recommendations in the Treasury Select Committee report and to go further now to commit to tackling economic crime by

- Reforming corporate criminal liability laws to ensure enablers can be held to account

- Consolidating the UK's fragmented and ineffective anti-money laundering supervisory regime and bolster enforcement by regulators and law enforcement
- Creating a single Government Department or agency with responsibility for all policy aspects of economic crime
- Drawing up a new Economic Crime Plan to cover the next 3 years
- Make the prevention of fraud a priority – in particular address fraud in the Online Safety Bill
- Tackling the fraud and economic crime issues that have arisen from the growth in cryptocurrency and crypto-assets
- Overhauling the UK's anti-money laundering regime to reduce loopholes and ensure the spending is commensurate with the size of the issues thrown up by economic crime
- Considering whether online companies should be required to contribute compensation when fraud is conducted using their platforms

Many government bodies and the regulators have failed to engage sufficiently or at all with RegTech companies which offer technology which have the capacity to help prevent much economic crime. To give but one example, better technology could have prevented many aspects of the bounce-back loan frauds. No-one is suggesting that technology is a silver bullet, but software can be honed and adapted to meet new criminal typologies as they arise. For too long technology has been better exploited by criminals than those who seek to prevent their activities.



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Cc The Rt Hon John Glen MP, Economic Secretary to the Treasury and City Minister

The Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy .

The Rt Hon Steve Barclay MP, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office