

KEVIN HOLLINRAKE MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Lisa Osofsky
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21st January 2019

Lisa

Thank you for your letter dated 10th December in response to my letter dated 21st November.

In your letter, you say that “the powers given to me by the Criminal Justice Act 1987 mean I can choose to investigate any suspected offence which appears to me on reasonable grounds to involve serious or complex fraud”.

However, an article in *The Independent* (see attached) titled ‘George Osborne’s secret veto on fraud inquiries’ dated Tuesday 23rd April 2013 states “Under a government agreement the Serious Fraud Office must get permission from the Treasury to launch any complex new inquiry which comes on top of its normal budget. But controversially the Treasury can keep its decisions secret – potentially allowing it to veto politically sensitive fraud inquiries, either before or midway through an investigation, without public scrutiny.”

Do you, therefore, need permission from HM Treasury to investigate serious or complex fraud as reported in the article? If so, have there been any investigations suspended or prohibited by HM Treasury in relation to banking scandals such as Lloyds and HBOS BSU Scandals (HBOS Reading, Lloyds Bristol, Newcastle, Scotland etc.), RBS GRG or Libor manipulation?

Could you please clarify how you intend to take the Lloyds Bank Dobbs Review into account on the basis that this is not a formal independent review by a regulator or crime agency, that it relies upon the cooperation and proactive disclosure of information by their own appointee, and that its full analysis and findings will not be made public?

Can you also please clarify what work is being done by other law enforcement bodies as detailed in your penultimate paragraph?

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kevin'.

Kevin Hollinrake MP
Co-Chair of the All-Party Parliamentary Group on Fair Business Banking



Revealed: George Osborne's secret veto on fraud inquiries

Chancellor writes SFO cheques - so is there a conflict of interest?

Oliver Wright Tuesday 23 April 2013

George Osborne has a secret veto over large and potentially politically sensitive fraud investigations, The Independent has learnt.

Under a government agreement the Serious Fraud Office must get permission from the Treasury to launch any complex new inquiry which comes on top of its normal budget.

But controversially the Treasury can keep its decisions secret – potentially allowing it to veto politically sensitive fraud inquiries, either before or midway through an investigation, without public scrutiny.

Ministers have now become the final arbiters of which major financial crimes are investigated as a result of 25 per cent cuts to the SFO's budget over the past three years, Labour warned.

The move is particularly sensitive as the Government has intervened in the past to halt embarrassing fraud investigations.

In 2006 the then Attorney General Lord Goldsmith announced that an SFO investigation into claims that BAE Systems had paid bribes to secure an arms deal with Saudi Arabia was being dropped. The announcement came weeks after reports that the Saudis were threatening to pull out of a deal to buy 72 Eurofighter jets from BAE.

Critics warned that the Government could use the veto to prevent investigations into alleged fraud at RBS in the run-up to the financial crisis – which have the potential to cost the Government millions in compensation.

The bank, now state-owned, is facing a civil action over claims that senior executives must have known about its perilous financial state when it launched a £12bn rights issue months before the financial crisis. If the SFO were to investigate and prove criminal liability it would force the Government to pay out to those who lost money by investing in the rights issue.

The veto came to light in parliamentary answers to the shadow Attorney General, Emily Thornberry.

She asked the Attorney General if he would give public notification of each occasion on which the Serious Fraud Office requests additional funding from the Treasury.

However he declined to do so, claiming it would “not be possible to do this without the risk of prejudice to the success of the Office's operations”.

Ms Thornberry said the decision effectively amounted to giving the Chancellor a secret say over controversial investigations which might never see the light of day.

“It looks as though George Osborne will have a secret veto over what gets investigated and that's unacceptable,” she said. “Investigators and prosecutors should not have to go running to politicians for funding case by case. If they do, they are no longer politically independent and the public will lose faith in what they do.”

Robert Barrington, executive director of Transparency International, which campaigns against corruption, pointed out that the SFO had not brought a single prosecution under a new law that allows UK companies to be prosecuted for bribery abroad.

He said there was potentially a “clear conflict of interest” in the Treasury's role promoting economic growth and deciding whether to investigate a UK company for misdeeds in a foreign country which might damage its reputation

and finances. "Either by design or accident you could easily get a situation where egregious corruption is simply not investigated," he said.

"We have already seen political interference in the case of BAE and it is simply wrong that the Treasury should have the power to withhold exceptional funding to investigate cases of corruption. The SFO should be a properly funded institution with the ability to decide independently which cases it investigates without the suggestion of political motives at play."

A spokesman for the Attorney General insisted that the director of the Serious Fraud Office "alone" determined which cases the SFO would investigate, based on its case selection criteria.

However the spokesman added: "Where an exceptionally large case needs to be investigated the Treasury will consider SFO's ability to fund the case from existing resources." Decisions had to remain private because "to publish such information could prejudice the investigation", the spokesman said.

SFO investigations

Asil Nadir The former head of Polly Peck was jailed last year for fraud ten years after the SFO began its investigation into the collapse of the company. But it's estimated the final prosecution alone cost 10 per cent of its £30 million budget.

Al Yamamah The SFO's long-running investigation into whether British the arms company BAE paid bribes to Saudi officials for lucrative defence the contacts. The investigation was scrapped at the behest of the British Government after the Saudi's warned them that it could jeopardise future sales.

Libor The Government has already announced an extra £3.5 million for the SFO to investigate the possible criminal rigging of the Libor markets by bankers working in the city. The SFO have arrested three people but no-one has yet been charged.

Vincent Tchenguiz The property tycoon is suing the SFO for £200 million after its failed investigation into the collapse of the Icelandic bank Kaupthing. The probe ended in humiliation after the SFO admitted to blunders, including unlawfully obtaining search warrants.