



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

4 April 2022

Dame Margaret Hodge MP and Kevin Hollinrake MP
House of Commons
London
SW1A 0AA

Dear Margaret and Kevin,

ECONOMIC CRIME ENFORCEMENT

Thank you for your letter on economic crime. I can assure you that money obtained through corruption or criminality is not welcome in the UK, and the Government is taking concerted action to combat the threat of illicit finance from source to destination.

With respect to the Economic Crime (Anti-Money Laundering) Levy, I agree that the private sector must contribute its fair share. The levy provides for this, by delivering on the Government's commitment to develop a sustainable resourcing model for economic crime reform, including both public and private sector sources of funding.

The levy delivers on the core principles of proportionality and affordability outlined in the levy consultation, whilst helping to double the level of new investment in tackling economic crime by 2023-24, which will mean a step change in our response. The levy will ensure a fair contribution from the private sector to the UK's efforts to tackle economic crime, and the government intends to publish an annual report on the levy, in addition to a more wide-ranging review by the end of 2027 to ensure it is delivering on that objective. I therefore acknowledge your recommendation but will not be exploring it further at this stage as the levy has just been introduced.

Alongside the dedicated funding for tackling economic crime over the coming Spending Review period, we are also providing significant additional funding to law enforcement through the commitment to recruit 20,00 additional police officers by 2023 to provide the resource needed to tackle crime. The 2021 SR settlement provides an extra £540 million by 2024-25 to complete recruitment of the final 8,000 officers, taking the total to 148,00 officers by 2023. This constitutes a 16% increase in the police workforce compared to 2019. The Police Uplift Programme will also support Regional Organised Crime Units continued growth as additional officers join these units. This will provide increased capacity to tackle organised crime, including economic crime.

Your letter also proposes extending recent Unexplained Wealth Order (UWO) cost cap reforms to "other areas of enforcement", to improve the cost effectiveness of prosecutions.

The Economic Crime (Transparency and Enforcement) Act (2022) introduced reforms to the Unexplained Wealth Order (UWO) regime to protect law enforcement from incurring substantial legal costs following an adverse ruling by introducing a cost protection measure, meaning that the court only has discretion to award costs against an enforcement agency if it acted unreasonably, dishonestly, or improperly.

This protection applies to all enforcement agencies which have the powers to seek UWOs: the National Crime Agency, the Serious Fraud Office, the Financial Conduct Authority, and HMRC. The measure is targeted at UWOs specifically, where there is strong evidence of significant legal costs acting as a barrier to their use as an enforcement instrument.

The Government is doing everything appropriate to ensure law enforcement agencies are equipped to take on corrupt elites, and that law enforcement costs are appropriately mitigated. As set out by Baroness Williams recently in the House of Lords, the Government will consider the remit of the cost protection in more detail.

You also suggested increasing the charge to set up a company. The Government is taking concerted action to prevent the misuse of corporate structures and limited partnerships for illicit purposes. This includes advancing Companies House reforms, which will bear down on the use of thousands of UK companies and other corporate structures as vehicles for facilitating international money laundering, corruption, terrorist financing and illegal arms movements. Measures to reform limited partnerships will also tighten registration requirements, increase transparency and modernise legislation to crack down on abuse.

The Government is also open to considering the case for changing fee levels and also recognises the value of Companies House enforcement activity in helping to tackle economic crime and ensuring high standards are upheld within the UK's business environment.

I therefore acknowledge your views and can assure you that officials across departments are considering the viability of raising Companies House fees. I would expect the outcome of these considerations to be complete when the Government introduces legislation to reform Companies House early in the next parliamentary session.

The Asset Recovery Incentivisation Scheme (ARIS) and the ARIS Top Slice Fund support asset recovery capacity and capability by reinvesting a proportion of recovered assets back in to the national, regional and local agencies. Since ARIS was introduced in 2006/07, just under £1.2 billion has been returned to Proceed of Crime Act (POCA) agencies to fund further asset recovery capability or work that protects the public from harm.

The Government is already making good progress on delivering improvements to the scheme and the wider asset recovery programme, as set out in the Asset Recovery Action Plan. Despite the challenges of Covid-19, £219 million was recovered in the total proceeds of crime from Confiscation Orders, Forfeiture Orders and Civil Recovery Orders receipts in 2020-21. These figures show that the work of the Government and POCA agencies is delivering on the Government's ambition to deliver year-on-year increases in the value of assets denied and recovered from criminals, as outlined in the Asset Recovery Action Plan (ARAP). The Home Office expect this upward trend to continue and have seen new agencies explore their opportunities to utilise ARIS.

I share your concerns that criminals should not be able to profit from their illegal activities in any circumstances. This is why we are cracking down hard on dirty money through our world-leading legislation and strengthened law enforcement response.

The joint public-private Economic Crime Plan along with the Asset Recovery Action Plan, published in 2019, brings together government, law enforcement and the private sector to: better share information to spot money laundering (and fraud) threats and vulnerabilities; to reduce the scale and harm of money laundering; enable more effective law enforcement investigations and to seize and recover the dirty money that fuels so much serious and organised crime.

I fully agree that Improving asset recovery is an important step in addressing economic crime, however, the Home Office continue to look at ways to improve ARIS and enhance its effectiveness. The steady incline of recovered assets shows that this is a developing area and progress is being made.

I am copying this letter to the Home Secretary, the Economic Secretary to the Treasury, the Chief Secretary to the Treasury and The Rt Hon Damian Hinds MP.

Best wishes,



RISHI SUNAK