

# THROUGH THE KEYHOLE

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Emerging insights from the UK's register of overseas entities



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# INTRODUCTION

In March 2022, after years of waiting, the UK government finally delivered on its longstanding commitment to introduce greater transparency over who owns property across our isles via secretive offshore companies.<sup>1</sup> Under this new law, any foreign business holding land assets in the UK must register with Companies House as an ‘overseas entity’ and disclose who controls them.<sup>2</sup> Those covered by the new rules could start reporting their beneficial owners from 1 August 2022, and all those subject to the reporting requirements must have filed their initial reports by 31 January 2023 at the latest.<sup>3</sup>

This law brings overseas entities closer to the disclosure requirements of UK companies, who have had to report similar information since 2016 under the People with Significant Control (PSC) regime.<sup>4</sup> It maintains Britain at the forefront of efforts to promote corporate transparency, and while not a silver bullet this new register presents an opportunity to help close down the space for dirty money to hide.

Firms based in opaque financial centres like the British Virgin Islands (BVI) and Jersey appear frequently in corruption and money laundering cases, many of which are used to hold assets in the UK. In total, companies like these hold over 90,000 land titles in England and Wales alone.<sup>5</sup> Using investigations by journalists and other data sources, we have identified more than £6.7 billion worth of UK property bought with suspect funds, with most of these held via secretive offshore companies.<sup>6</sup> This figure includes £1.5 billion worth of assets bought with suspect funds from Russia, including those subject to sanctions and close to the Kremlin. More than half of these are held by companies in the Crown Dependencies and Britain’s Overseas

Territories – jurisdictions where the owners of these businesses are currently withheld from public view.<sup>7</sup>

Being owned by an offshore company does not mean necessarily that a property has been bought with dirty money or is owned by a kleptocrat, however there is an inescapable truth that those seeking to hide illicit funds favour companies based in secrecy jurisdictions. The opacity they provide has enabled substantial amounts of illicit funds to be laundered into high-end real estate, with the ultimate beneficiaries of these assets withheld from both the public and those businesses tasked with identifying suspect money entering our economy; until now. What had been information disclosed through leaks, like the Panama and Pandora Papers, is now required by law to be a matter of public record.

Having campaigned for years to see this transparency reform being made law, we are turning our attention to monitoring how it is working in practice.<sup>8</sup> Below we identify emerging insights from this newly available data, including case studies where possible, as well as five issues that need addressing in order to clamp down on potential evasion of the new rules. Given the emergency enabling legislation received rushed parliamentary scrutiny, it is unsurprising there are some niggling issues that require ironing out. The Economic Crime and Corporate Transparency Bill (ECCT Bill) before Parliament provides an opportunity to fill any outstanding legislative loopholes. But as with any law, its effectiveness is not just dependent on its drafting but also its enforcement. It is too early to assess how this is working, but we outline below the likely scale and nature of this challenge.



## SUMMARY OF FINDINGS

For this analysis we reviewed filings from 19,790 overseas entities on the new register as of the morning of 1 February 2023.<sup>9</sup> These firms – which between them hold over 56,000 properties in England and Wales – represent 61 per cent of the 32,440 foreign companies the UK Government estimates hold land in the UK and are expected to file information.<sup>10</sup> In total, their disclosures include more than 14,000 unique beneficial owners, 3,190 of which control more than one offshore entity.

**Positively, the new data shows the register is starting to serve its intended purpose, revealing the names of many individuals of interest who control overseas companies holding UK property. This includes several Politically Exposed Persons (PEPs)<sup>11</sup> and other people of interest who were not previously known to have substantial property assets on our shores, indicating that after just six months of operation the register has started to prove its worth.**

However, our analysis has also highlighted five key ways in which information about the real people behind these offshore companies risk being withheld from public view, keeping ownership of real estate here secret. These are:

- failure to submit information
- opaque companies being named as beneficial owners
- trust structures hiding the real owners
- companies claiming to have no beneficial owners
- naming service providers as beneficial owners

In total, we identify almost 52,000 properties across England and Wales that are still owned anonymously despite this new transparency law.<sup>12</sup> This is over half (56 per cent) of the 92,640 assets held by offshore firms in England and Wales that are subject to the new reporting requirements.<sup>13</sup> Of these, almost 35,000 are owned by companies who are yet to register, with more than 17,000 held by entities who have opaque structures or non-compliant filings that obscure their ownership. We calculate just under half of registrable firms (around 14,500) have failed to comply with the new rules. While the reasons for this low level of compliance are unknown currently, it presents a substantial enforcement challenge for Companies House.

The data contained in the Register of Overseas Entities (ROE) is verified by professionals regulated in the UK for anti-money laundering (AML) purposes. Those responsible for checking this information are required to identify the firm they work for and the money laundering supervisor that oversees them. This means the accuracy of the data is heavily reliant on the diligence of the private sector. Consequently, improving the data is not purely a job for the government and further legislation, but also for regulated professionals and their relevant AML supervisors – authorities tasked with policing businesses' compliance with anti-financial crime rules. Failing to address these issues will allow continued secretive ownership of real estate in the UK, leaving the door open to corrupt individuals and other criminals wishing to hide their ill-gotten wealth.

## Recommendations

Based on our appraisal of how the rules are working in practice so far, we propose that:

### Recommendation 1

Companies House should prioritise securing registration and relevant documentation from those overseas entities who are yet to file information to the register, and make use of their new enforcement powers when it is proportionate to do so.

### Recommendation 2

Companies House should:

- pursue those overseas entities who have submitted non-compliant filings
- report those responsible for submitting obviously non-compliant filings to the relevant anti-money laundering supervisors to inform their oversight activities

Given the clarity of the law in this area, it should be well within the ability of any competent professional to spot when an offshore company is not registerable as a beneficial owner.

### Recommendation 3

We propose Parliament should legislate to:

- allow Companies House to publish information on all parties to trusts controlling overseas entities holding land in the UK, and

- require information on parties to trusts controlling land be disclosed to the Land Registry, as per draft provisions in the Levelling-up and Regeneration Bill, subject to proportionate safeguards similar to those already in place for People with Significant Control of UK entities.

### Recommendation 4

HM Treasury should expedite its work to reform the anti-money laundering supervisory system so it is fit for purpose, and weak private sector performance does not undermine the effectiveness of the new property register.

### Recommendation 5

Companies House should be alert to potential nominee beneficial owners and make further enquiries if there are grounds to suspect a reported beneficial owner is acting in this capacity.



# REVEALING THE PEOPLE BEHIND THE COMPANIES

Much of the data on the ROE is already providing useful insight into those controlling offshore companies that own UK property. It has confirmed revelations from leaks, like the Panama Papers, that people of interest – including those subject to sanctions – hold assets in the UK via companies in jurisdictions like the BVI. It also provides new insights into the property holdings of members of royal families in the United Arab Emirates and Saudi Arabia.

As the register becomes more populated, we should get a greater picture on the level of investment in the UK property market from PEPs and other persons of interest. This is particularly important for businesses at the moment who are having to comply with a growing range of sanctions designations issued by the British government, many of which have been issued in response to Russia’s renewed invasion of Ukraine. We are already seeing individuals designated under UK sanctions law and their family members on the new register, which provides critical information to help ensure these measures bite, and policy makers and those authorities tasked with enforcing these rules to better understand potential routes for evasion and avoidance.

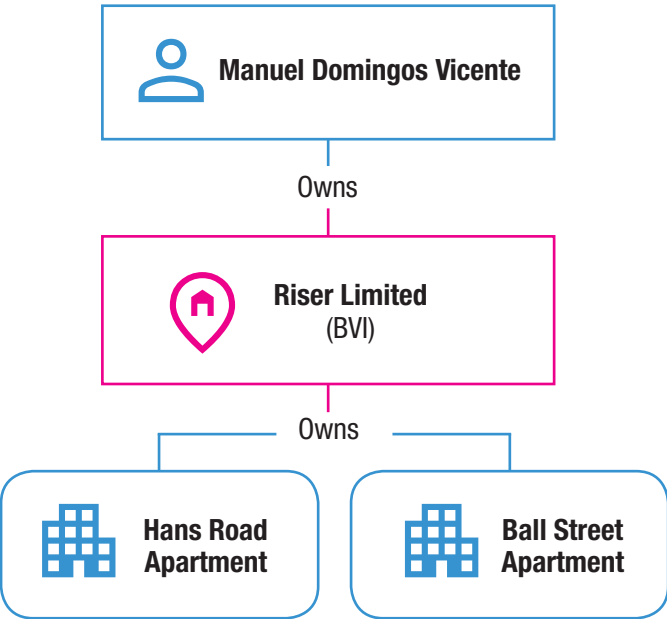
## CASE STUDY

### Former Angolan Vice President

Filings for an overseas entity called Riser Limited (BVI) declare former Angolan Vice-President Manuel Domingos Vicente has been its beneficial owner since 1997.<sup>14</sup> Land Registry documents show this company bought two luxury apartments in Kensington in 2006 and 2010 for £940,000 and £475,000 respectively. These properties are likely to have increased significantly in value since they were bought. The purchase of these properties coincides with the period in which Manuel Vicente was chief executive of Angolan state oil company, Sonangol. He is currently under investigation for bribing a magistrate in Portugal during his

tenure at the company.<sup>15</sup> He has denied any wrongdoing and has not visited Portugal since the investigation began. Neither Manuel Domingos Vicente nor his representatives responded to our request for comment. This example shows how the new property register is able to highlight assets owned by PEPs, which should be subject to closer scrutiny given their higher corruption risk. In this particular context, the individual in question is subject to a criminal investigation into alleged bribery.

Diagram 1: How Manuel Vicente owns two Kensington apartments via a BVI company





# ISSUE 1

## FAILURE TO SUBMIT INFORMATION

The first issue we identify is failure by some overseas entities to register with Companies House and submit beneficial ownership filings.

Under the transitional arrangements for these new rules, overseas entities had until 31 January 2023 to register at Companies House and file information on their beneficial owners, or managing officers if the owners were unidentifiable. Using data from the Land Registry for England and Wales,<sup>16</sup> we estimate there should be around 30,000 overseas entities on the new register; however, as of 1 February 2023 we identify around 14,500 who are yet to do so. These include companies reportedly owned by kleptocrats, oligarchs and those subject to sanctions in the UK, EU and US. In total, we calculate there are around 34,500 properties owned in England and Wales by overseas entities who are yet to register on the ROE.

The scale of non-compliance sets a substantial task for Companies House, particularly given it has not had an active role in policing company law to date. There are also some inherent challenges it will likely face when trying to bring overseas entities into compliance, including contacting companies whose contact details are either out of date or unavailable, or dealing with some that have dissolved but yet remain on Land Registry documents. Given these issues, it would be unsurprising if there remains a stubborn core of entities who do not file well beyond the transition period.

While encouraging voluntary compliance in the first instance is a legitimate approach, especially given the newness of the rules, deploying the range of sanctions available proportionately and transparently is critical to providing a credible deterrent and ensuring the rules are effective. Those failing to comply with the rules face daily fines of up to £2,500 and potential custodial sentences alongside additional restrictions on their ability to buy, sell or lease property. While it is too early to tell how Companies House will pursue stubborn non-compliance, it should concentrate on those failing to register or supply relevant documentation in the first instance.

### Recommendation 1

#### Companies House should

Prioritise securing registration and relevant documentation from those overseas entities who are yet to file information to the register, and make use of their new enforcement powers when it is proportionate to do so.

# ISSUE 2

## OPAQUE COMPANIES BEING NAMED AS BENEFICIAL OWNERS

The second issue we identify is overseas entities submitting obviously non-compliant beneficial ownership filings.

The new rules state that beneficial owners can be individuals and, in certain circumstances, companies. However, only a company 'subject to its own disclosure requirements' is allowed to be registered as a beneficial owner.<sup>17</sup> This means that overseas entities cannot simply declare another opaque company as their owner – there needs to be some form of published ownership chain upwards to a real person. Reporting another secretive offshore company to the register is not permissible in most circumstances (see Diagram 2 below). Despite these rules, there appear to be many non-compliant filings.

Our analysis found that 2,275 of the 13,970 beneficial owners listed (16 per cent) were companies – 1,233 (54 per cent) of which do not themselves publish beneficial ownership information as required under the new law, with the vast majority based in offshore secrecy jurisdictions like Jersey and the BVI. In total 3,151 overseas entities (16 per cent) listed at least one offshore company as their beneficial owner which were themselves not subject to similar transparency requirements, indicating a possible breach of the new rules. These 3,151 overseas entities collectively hold 15,217 properties across England and Wales, meaning we are still in the dark as to exactly who owns these assets.

### Recommendation 2

#### Companies House should:

- pursue those overseas entities who have submitted non-compliant filings
- report those responsible for submitting obviously non-compliant filings to the relevant AML supervisors to inform their oversight activities

Given the clarity of the law in this area, it should be well within the ability of any competent professional to spot when an offshore company is not registerable as a beneficial owner.



CASE STUDY

Frozen assets and false information?

One overseas entity claiming it is owned by another opaque entity is Lengard Projects Ltd (BVI). It lists lcs4 Holdings Investment Ltd (also registered in the BVI)<sup>18</sup> as its beneficial owner, an apparent non-compliant filing. Companies in the BVI do not currently fall within the definition of an entity ‘subject to its own disclosure requirements’ as set out in Schedule 2 of the ECTE Act because their beneficial owners are not publicly available.<sup>19</sup> By filing this non-compliant information, Lengard Projects Ltd (BVI) has withheld from public view those who have a controlling interest in the company holding property in the UK.

Further investigation also calls into question its claimed jurisdiction of incorporation. There is only one company called Lengard Projects Limited in available Land Registry data. It is the registered owner of an apartment in the Chelsea Harbour development in Hammersmith, however according to Land Registry documents this Lengard Projects company is registered in Dominica. While it might appear that these are two different companies, evidence suggests they are related and may even be the same entity.

The apartment in Hammersmith is currently frozen due to an order issued by the High Court against a company called Taleveras Petroleum Trading DMCC – a firm founded and controlled by a Nigerian businessman, Igbo Sanomi.<sup>20</sup> Igbo Sanomi is named in US court documents accusing his company, Taleveras, of paying bribes to the former oil minister of Nigeria, Diezani Alison-Madueke, and her business associates, Kola Aluko and Jide Omokore.<sup>21</sup> The US court documents also refer to Igbo Sanomi being ‘a 30% shareholder in Lengard Projects Ltd (‘Lengard’), a Nigerian corporation.’<sup>22</sup> Lengard Projects Ltd (Nigeria) is repeatedly referred to in payment references between Taleveras and Kola Aluko.<sup>23</sup> Taleveras

said its involvement in the alleged dubious transactions followed best international practices as a third party.<sup>24</sup>

Additionally, the registered overseas entity Lengard Projects, which claims to be registered in the BVI, had its information verified by Obilo Emmanuel Osuji who works for a firm called Diamond and Co Accountants.<sup>25</sup> A person of the same name was director of a UK company called Taleveras Services (UK) Ltd alongside the former wife of Igbo Sanomi, Eghonghon Sanomi.<sup>26</sup>

Put together, these pieces of information are highly suggestive that:

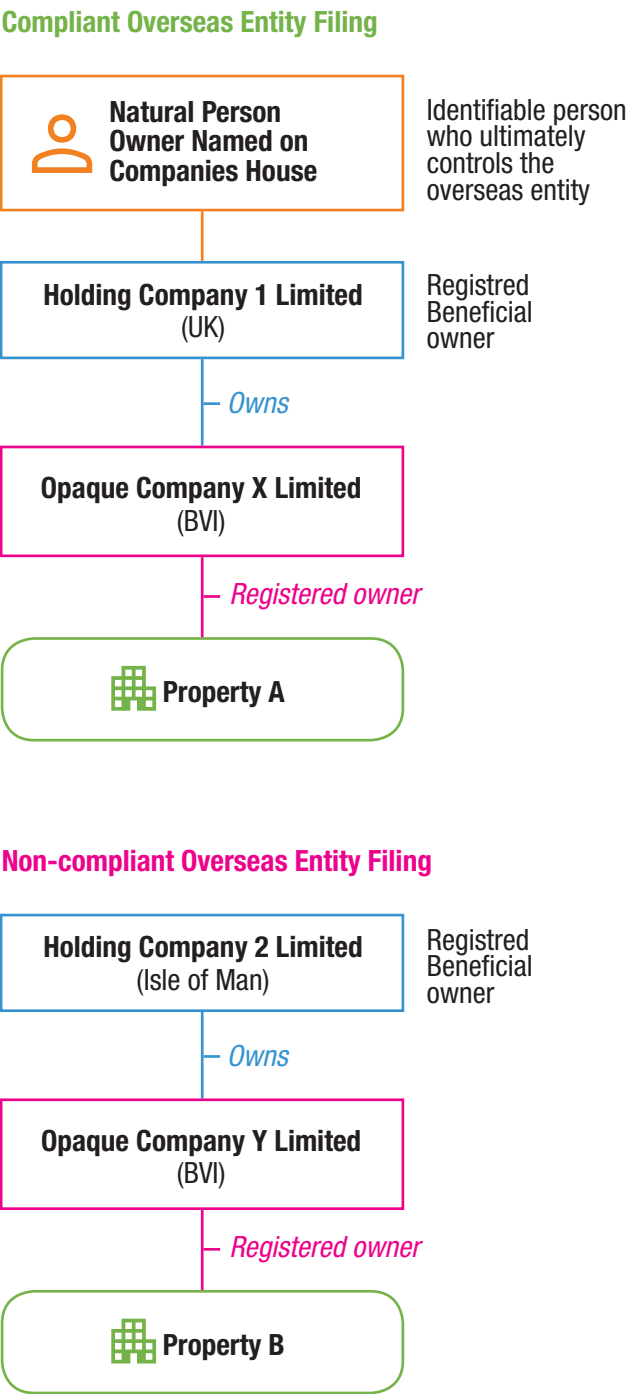
- Igbo Sanomi is a likely beneficial owner of Lengard Projects Ltd, which is on the UK ROE.
- By extension, Mr Sanomi likely holds a controlling interest in what is a substantial piece of prime London real estate.
- That at least one of the jurisdictions of incorporation for the Lengard Projects Ltd reported to Companies House or the Land Registry is likely false.

aleveras have stated that the US legal case they are named in:

*‘...is not against Taleveras or Igbo Sanomi. As it relates to the US department case against Atlantic Drilling, please note that Taleveras and the other two major oil trading houses (Glencore and Arcadia) were not faulted for embarking on a legitimate transaction, as all payments were made based on legitimate third party contracts with private companies and not NNPC’.*<sup>27</sup>

None of Igbo Sanomi, Taleveras, Lengard Projects or Obilo Emmanuel Osuji responded to our questions about the property and the entry on the ROE.

Diagram 2: Examples of compliant and non-compliant beneficial ownership filings



# ISSUE 3

## TRUST STRUCTURES HIDING THE REAL OWNERS

### The third issue we identify is the accessibility of information about trusts controlling overseas entities.

Trusts are used frequently to control offshore companies holding property assets, and can obscure chains of ownership. In total, ROE filings include over 1,600 beneficial owners stating they are acting in a trustee capacity for more than 4,000 companies, meaning that a trust arrangement controls the overseas firm, and by extension the underlying asset. The legislation allows for overseas entities to identify trustees as their beneficial owner, but this represents a limitation in the new law.

In these circumstances, the trust must give Companies House information on its:

- name
- creation date
- trustees, beneficiaries, settlors, grantors and/or interested persons

This additional information is not currently published by Companies House. Someone looking for these details has to request information on trusts with a controlling interest in an offshore company from HMRC. This only applies if the overseas entity is registered outside the UK and the European Economic Area (EEA).<sup>28</sup> While in theory this bridges some of the gap in information on the register, in practice this arrangement is inadequate and more convoluted than accessing similar information on beneficial owners that are natural persons.

According to HMRC's guidance, responses to requests for information on trusts controlling offshore companies will likely take two months, which is a substantial time period given that transparency about the ultimate ownership of UK property has been deemed vital to the UK's fight against corruption and money laundering.<sup>29</sup> In practice, we have found this can exceed four months. By comparison, information on individuals controlling overseas entities is available immediately via Companies House. This may be a consequence of teething issues as new systems bed-in, but should be monitored on an on-going basis.

While there are exemptions on releasing this information that need considering, such as the threat of violence and intimidation, the same already applies for individuals who are beneficial owners of UK companies, albeit in these cases the decision on whether to apply an exemption rests with Companies House, not HMRC.

Beyond the issues of access, there is also a question about the scope of geographic exemptions. The right to information on trusts holding land via overseas companies is limited to those entities outside the UK and EEA. Obtaining information on trusts controlling entities from within the EEA requires meeting the higher threshold of proving the requestor has a

legitimate interest in doing so. This is defined as someone who can show they are:

- involved in an investigation into money laundering or terrorist financing, and
- requesting the information in order to further an investigation into a specified suspected instance of money laundering or terrorist financing.

Considering trusts are known to be a key method used by kleptocrats and oligarch in helping obscure their ownership of assets, it seems counter-intuitive that accessing this information is more cumbersome than for natural persons.

Additionally, while the legitimate interest test above may seem reasonable, it is not uncommon for information about parties to a trust to be a critical piece of information alerting someone to potential money laundering. However, under the current arrangements one may not be able to secure access to this crucial information because there is not sufficient evidence to access it. This has the effect of making trusts controlling EEA overseas entities on the ROE akin to the opaque offshore shell companies the register was intended to address.

In Scotland, this should be less of an issue because of its forthcoming Register of Persons Holding a Controlled Interest in Land (RCI), which comes into force on 1 April 2023.<sup>30</sup> Unlike the ROE, the RCI requires disclosure of those with a controlling interest in the underlying land, not the company holding it. This has the potential to pierce through the various complex trusts and companies used to obscure the ownership of an asset, therefore resolving the issue mentioned above. There are also provisions in the Levelling-up and Regeneration Bill that would require similar information be disclosed to the Land Registry, including the various parties to trusts.<sup>31</sup>

Given these other measures, we could have a situation in which, despite the prohibition on Companies House disclosing information on parties to trusts controlling overseas entities automatically, the public would be able to access this information anyway in some parts of the UK from other sources. This further undermines the rationale for withholding it from the Companies House register, and the utility of some of HMRC's trust information request services.<sup>32</sup> Preferably, this information would be available on Companies House for ease of access, with similar information disclosed to the Land Registry as a backstop.

### Recommendation 3

#### We propose Parliament should legislate to:

- allow Companies House to publish information on all parties to trusts controlling overseas entities holding land in the UK and
- require information on parties to trusts controlling land in England and Wales be disclosed to the relevant Land Registry, as per draft provisions in the Levelling-up and Regeneration Bill, subject to proportionate safeguards similar to those already in place for People with Significant Control of UK entities.



CASE STUDY

The Aliyevs and shifting trusts

Husband and wife Ilham Aliyev and Mehriban Aliyeva are members of the first family of Azerbaijan, the former being its President since 2003 and the latter Vice President since 2017. The country is infamous for abuses of power by its public officials, with Transparency International’s Corruption Perceptions Index – a composite survey of expert opinion – consistently rating the country very poorly.<sup>33</sup>

Ilham’s father, Heydar Aliyev, was a career politician in the USSR, serving in the Politburo between 1982 and 1987, and subsequently as President of the independent Azerbaijan Republic between 1993 and 2003. Ilham Aliyev’s current salary as President is 15,000 Manat per month,<sup>34</sup> which is roughly equivalent to £80,000 annually. His wife, Mehriban Aliyeva, is currently Vice President whose annual salary is around £64,000,<sup>35</sup> and whose previous employment did not attract substantial income.

In 2021, a report by Chatham House claimed the size of the Aliyev family’s UK property purchases to be in excess of £400 million.<sup>36</sup> Reporting by The Guardian suggests their global property holdings could include an additional £70 million of real estate.<sup>37</sup> These amounts are far in excess of the couple’s official sources of income. One of these assets was reportedly held via an offshore company controlled by a trust.

Corporate records show that up until 2015, when their ownership was exposed by the Organized Crime and Corruption Reporting Project (OCCRP), members of the Aliyev family held shares in Beckforth Services Limited (Isle of Man). This company holds the land title for Kenwood Gate, a property it bought in Hampstead in 1998 without a mortgage.<sup>38</sup> The value of the property in 2015 was estimated to be around \$25 million.<sup>39</sup>

It was bought five years before Ilham Aliyev became President while he was Vice President

of the state-owned oil company, SOCAR, and during his father’s tenure as the country’s head of state. Ilham Aliyev’s income at the time of purchase is not known, but it is reasonable to assume it would not have been sufficient to buy this asset outright, nor would the income from his father for his roles in public office.

Until 2012, Ilham Aliyev and Mehriban Aliyeva were recorded in Beckforth’s annual returns on the list of shareholders. In 2012, an amended annual return reported these shares were transferred to their eldest daughter Leyla Aliyeva in June 2010. The OCCRP highlighted the Aliyev’s ownership of the property via Beckforth Services Limited in June 2015.

The subsequent company annual return showed a share transfer from Leyla Aliyeva to a company called Sonymore Limited (BVI). The 2016 annual return then showed the shares pass to another company, Sarlate Limited (BVI), in November 2015 before passing to Tocki Limited (Isle of Man) as a trustee of the Root Property Investment Trust (Isle of Man) in December 2015. In January 2021, these shares then transferred to an Isle of Man trust company called Hollyberry Trustee Limited.

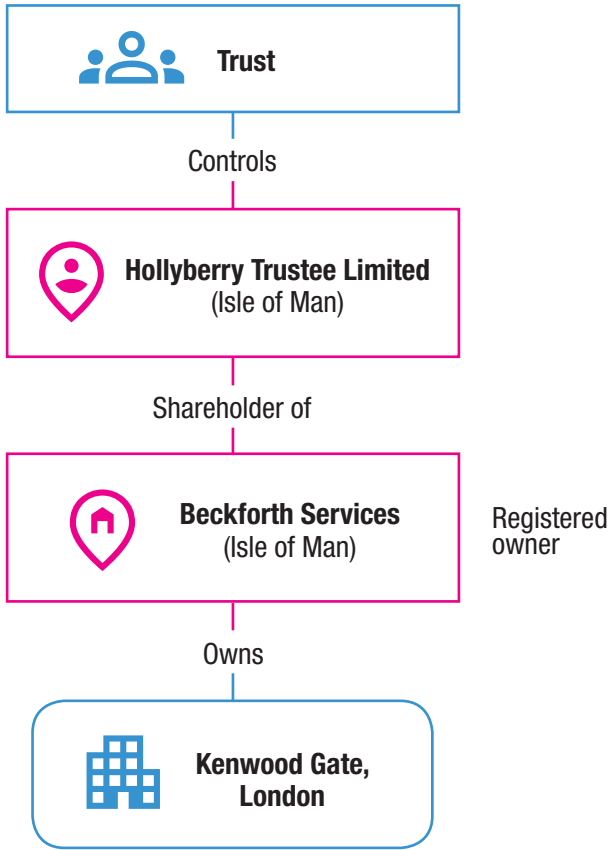
These share changes raise questions as to whether, following the exposé by the OCCRP, they were legitimate transfers to third parties or a means to obfuscate the Aliyev’s continued ownership of the property. Without knowing the parties to the trust involving Hollyberry Trustee Limited it is not possible to determine whether or not the Aliyevs continue to own the underlying property.

We submitted a request to HMRC for information on parties connected to the Hollyberry Trustee Limited on 20 September 2022. According to HMRC’s guidance, we should have had a response by around the end of November however none was forthcoming. We contacted

HMRC to enquire about the status of our request and were told the unit within HMRC had staff shortages, leading to delays in responding to requests.

The Aliyevs and representatives of Beckforth Services Limited did not respond to our request for comment.

Diagram 3: Current ownership structure for Kenwood Gate, London





# ISSUE 4

## COMPANIES CLAIMING TO HAVE NO BENEFICIAL OWNERS

The fourth issue we identify is when overseas entities report they have no beneficial owners – a claim that requires checking.

Under the current legislation, where overseas entities cannot identify a person or company matching the definition of a beneficial owner they are able to list a ‘managing officer’ instead. Of the 19,790 overseas entities to file information so far, 2,358 of these (12 per cent) claimed to have no beneficial owners. While these companies may be telling the truth, this has long been identified as a potential loophole in UK beneficial ownership legislation, allowing companies to sidestep requirements and avoid scrutiny.<sup>40</sup> In June 2020, an openDemocracy investigation found 400,000 UK companies were using the same exemption and not listing beneficial owners.<sup>41</sup>

There is a heavy reliance in the ROE reporting requirements on overseas entities reporting their beneficial owners accurately and regulated businesses checking this information diligently. In turn, this raises questions about the performance of regulated businesses verifying information for the register and their supervision by relevant authorities. Given the wealth of evidence we have available – from government reviews to reports from AML oversight bodies and our research – there are questionable levels of performance amongst both the trust and company service provider (TCSP) sector, and the bodies entrusted with policing their conduct.<sup>42</sup>

As we have stated numerous times before, this is not helped by responsibility for private sector oversight being held by 24 bodies, with 13 covering the accountancy sector alone. We welcome HM Treasury’s recognition there is a problem and its commitment to consult on reform in this area. However, the pace of change to date has been glacial when compared to the speed at which financial crime evolves, a point of weakness that is no doubt being exploited by those willing to turn a blind eye for their clients.

Tackling illicit financial flows effectively relies on a system-wide approach, which must include more robust supervision of regulated businesses, including those verifying documents for the ROE. Failing to adopt this holistic approach risks undermining the progress made by this register and wider Companies House reform, and leaves ample room for exploitation by those who wish to evade scrutiny.

### Recommendation 4

#### HM Treasury should

Expedite its work to reform the AML supervisory system so it is fit for purpose, and weak private sector performance does not undermine the effectiveness of the new property register.

## CASE STUDY

### Opaque ownership of a Zimbabwean goldfield

The OCCRP revealed as part of its Pandora Papers investigations that a UK company claiming to have no beneficial owner was in fact owned by two Belarusians, one of which is a PEP.<sup>43</sup>

In 2018, Midlands Goldfields Limited, a firm registered in an office in London, acquired a 70 per cent stake in a gold field in Zimbabwe.<sup>44</sup> This mining deal was presented as a collaboration between Zimbabwe and Belarus, with profits designed to go to Belarus; however, the opaque nature of the companies involved would have enabled private individuals to benefit instead.

Despite stating it had no owner,<sup>45</sup> OCCRP ascertained Midlands Goldfields Limited was in fact controlled by Sergei Sheiman, the son of Viktor Sheiman – Alexander Lukashenko’s right-hand man – and influential Belarusian businessman Alexander Zingman, who served as Zimbabwe’s honorary consul in Belarus.<sup>46</sup>

Ultimately the venture failed to make any profits after the mine was closed due to safety concerns, and Mr Zingman’s representatives say the companies involved were never operational.<sup>47</sup> Midlands Goldfields Limited was dissolved soon after, never revealing its politically connected owner and their business partner on Companies House.

Sergei Sheiman and Lukashenko’s administration did not respond to questions sent by OCCRP, and Sergei Sheiman did not respond to our requests for comment.

Alexander Zingman’s representatives claimed he did not have the kind of control over Midlands Goldfields Limited that would have required him to be registered as a PSC. This is despite documents showing he was a beneficial owner

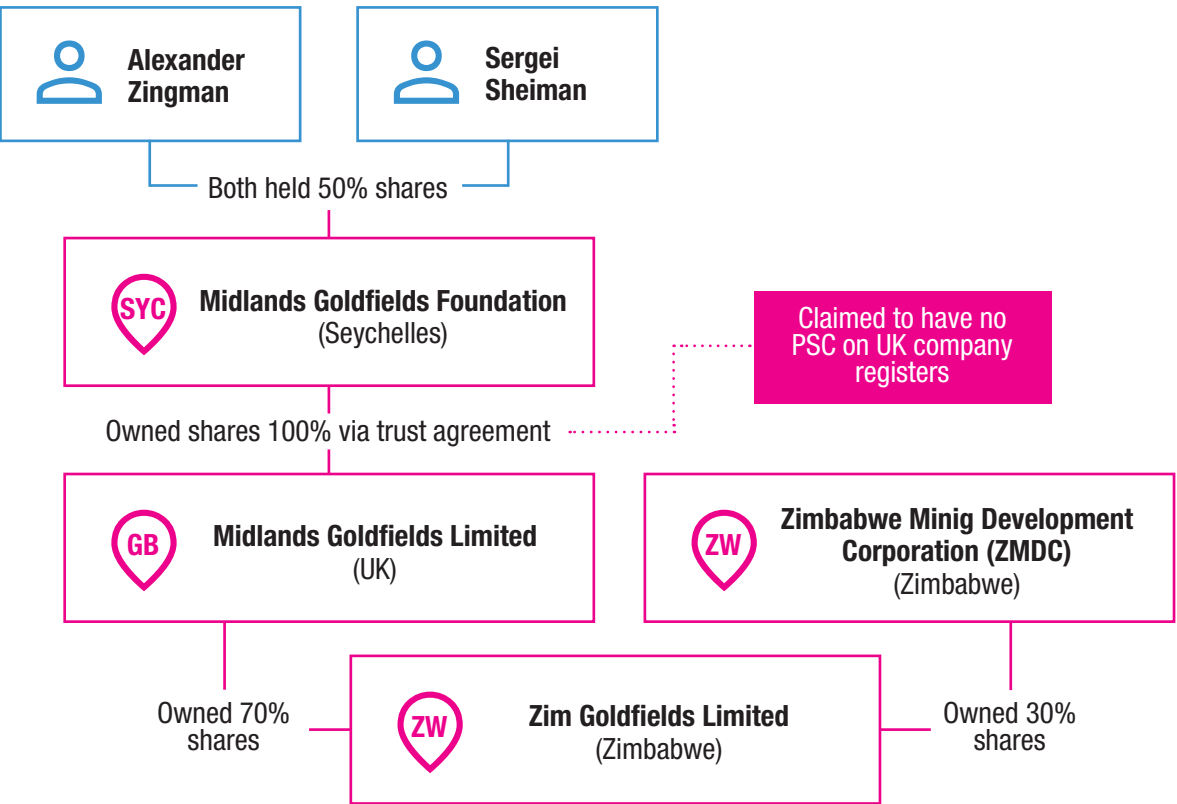
of an entity that held 100 per cent of the shares in the UK company, Midlands Goldfields Limited, via a trust arrangement, which would have made him reportable as a PSC.

His representatives also claimed that there was no intent to conceal his identity, all relevant documents were publicly available for inspection, and that claiming there was intent to conceal is twisting the facts.

We do not allege deliberate intent to flout the rules. However, based on the evidence available to us after repeated requests for documents providing evidence to the contrary, this filing appears non-compliant, which has had the effect of withholding the owners of Midlands Goldfields Limited from public view.

This example highlights challenges in the system by which the ROE now operates, where it takes analysis of additional documents to determine whether or not a company’s claim to have no beneficial owner is true. Giving Companies House the power to challenge and require further documentation on relevant parties to company structures is critical for them to enforce the ROE effectively.

Diagram 4: Midlands Goldfield Ltd and opaque ownership of a Zimbabwean mine



# ISSUE 5

## NAMING SERVICE PROVIDERS AS BENEFICIAL OWNERS

The fifth issue we identify is the use of investment fund structures, which obscure the ultimate beneficiaries of the underlying property.

Individuals who work in legal, accounting and wealth management firms overseas are being listed as the owners and managing officers of several entities. This is entirely compliant with the law so long as they are managing assets on behalf of passive investors. However, there are grounds to suspect some are putting their names forward to help shield the identity of their clients.

Where offshore companies are used to invest their clients’ money, who have no control or influence over these investment decisions, then it is likely the reportable beneficial owner is either a major shareholder in the investment firm or one of its managing officers. However, professional wealth managers stating they are beneficial owners on the ROE when in fact their clients have effective control of the overseas company and underlying asset risk breaking the law, which can carry criminal and civil sanctions. Identifying where this practice is taking place will be an enforcement challenge for Companies House (see Diagram 5 below for examples of how this works in practice). Therefore, it is important that those managing assets on behalf of investors must be able to demonstrate their clients have no control in how the companies are run or invest their money, otherwise those investing would likely need to be named as beneficial owners. Companies House should incorporate

identifying and challenging suspected nominee beneficial owners into its intelligence and compliance activities.

### Recommendation 5

#### Companies House should

Be alert to potential nominee beneficial owners and make further enquiries if there are grounds to suspect a reported beneficial owner is acting in this capacity.

There is a separate and more general issue relating to investment funds (see Diagram 6 below for an example structure). These remain a perfectly legal way to invest money into the property market; however in its most recent assessment, HM Treasury considered wealth management services and private banking to be at a high risk of money laundering, especially considering 78 per cent of wealth management firms included PEPs within their client base.<sup>48</sup> This is a high density of higher risk clients with potentially substantial amounts of assets at their disposal. While this is not an area of risk the ROE can easily mitigate, information connecting fund managers to offshore entities on the register may yet prove useful contextual information for AML investigations.





Diagram 5: Example of non-compliant nominee arrangement using a professional to mask the identity of a company’s real owner

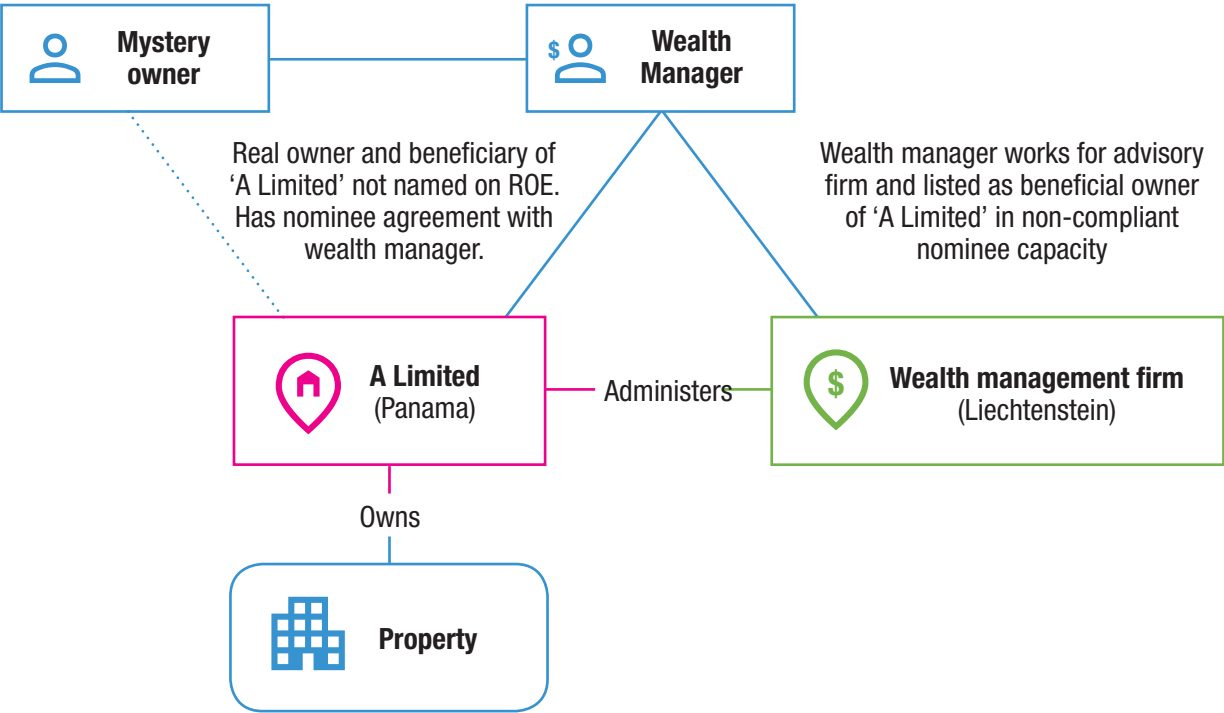
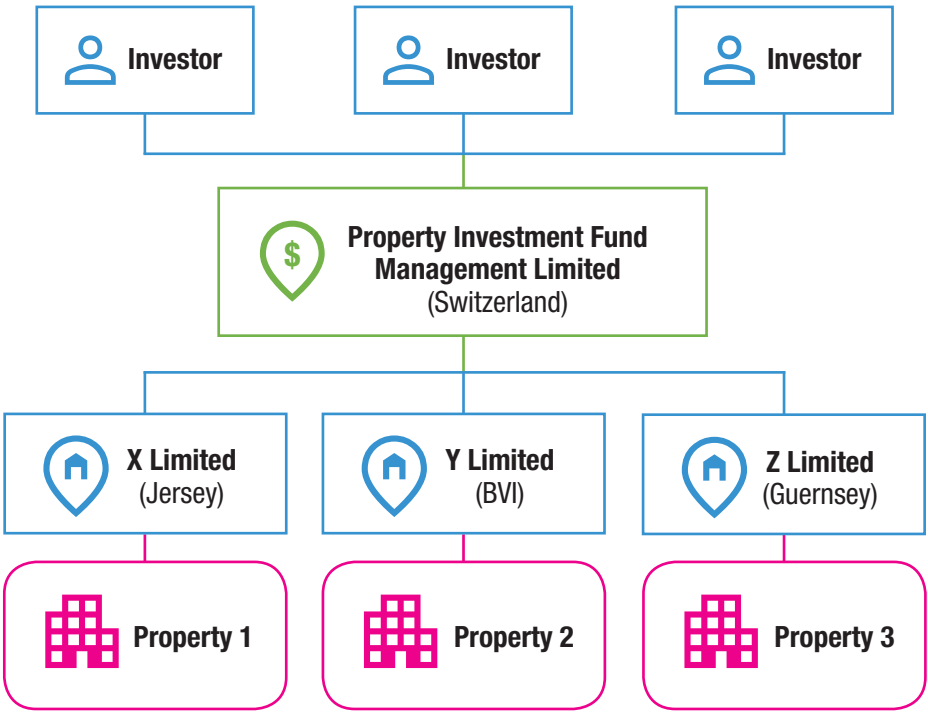


Diagram 6: Example of Property Investment Fund and Limitations of the Register of Overseas Entities



# CONCLUSIONS

The government’s delivery of its long-standing commitment to introduce the ROE is a very welcome development, albeit a belated one. The register is already providing some novel insights into high-end UK property ownership, which until now had been available sporadically thanks to the work of investigative journalists and occasional court cases. Now this information is being made available as a matter of public record.

Given the speed at which this bill progressed through Parliament, there are inevitably some issues to iron out to increase the robustness of the new rules and close potential loopholes to evasion and undesirable avoidance. Above we provide five issues that merit attention, to which we provide some proposed solutions.

The highest priority of these is principally a matter of enforcement. That seemingly obvious non-compliant filings have found their way onto the register risks undermining confidence in its integrity and utility. Rather than provide greater insights into property ownership, these filings merely reveal another layer in a matryoshka doll of corporate secrecy, or in many instances they provide nothing at all. Stamping out these attempts at evasion would send a clear signal Companies House is no longer a passive recipient of information, but a body capable of delivering meaningful insights to businesses, law enforcement and the wider public. Additionally, holding those enablers to book who have provided obviously non-compliant filings is key to providing a credible deterrent against attempts at breaking the rules.

There are some simple but effective improvements that can be made to providing public access to information about the ownership of property held by overseas companies that are controlled by trusts. The rationale for providing

less timely information on parties to these trusts compared to individuals with control over property assets makes little practical sense – especially when this type of legal construction is widely used by kleptocrats and oligarchs to hide their wealth, and when similar information will be made publicly available in Scotland shortly. Empowering Companies House to publish this information would provide more timely access to details on these higher-risk ownership structures, while those with legitimate security concerns could be exempt.

Testing the validity of claims that there is no beneficial owner has no easy fix. Disproving a statement like this is inherently challenging, which makes it an attractive route for those determined to evade the rules. At the very least, there needs to be reform of how businesses filing this information are supervised – a major area of weaknesses in the UK’s money laundering defences where reform is long overdue.

Finally, there are some inherent challenges to understanding the complex relationship between beneficiaries and their underlying assets when investment structures are used to hold property for multiple clients. Inevitably, there will be many legitimate investors who seek to use these methods to control their portfolios. However, the risks around them acting as a means to avoid the new transparency requirements merit further investigation considering some of the findings from our initial review of the available data, and those involved in providing these services.

Together, these provide an important set of proposals that would resolve some of the gaps in the current legislation and make it more effective for preventing money laundering and associated crimes. The ECCT Bill and Levelling-up and Regeneration Bill provide timely opportunities

for Parliament to improve and refine landmark legislation it delivered earlier this year, which was expedited in response to Russia’s invasion of Ukraine. While technical in nature, they could prove vital in ensuring there is no place to hide for kleptocrats and oligarchs who have sought to use the UK as a safe haven for their dirty money.

# ENDNOTES

1 <https://www.legislation.gov.uk/ukpga/2022/10/contents/enacted> [accessed 1 November 2022]

2 Known colloquially as the Register of Overseas Entities (ROE).

3 <https://www.gov.uk/guidance/register-an-overseas-entity> [accessed 7 November 2022]

4 <https://www.gov.uk/guidance/people-with-significant-control-pscs> [accessed 1 November 2022]

5 <https://use-land-property-data.service.gov.uk/datasets/ocod> [accessed 1 November 2022]

6 <https://www.transparency.org.uk/uk-money-laundering-stats-russia-suspicious-wealth> [accessed 1 November 2022]

7 With the exception of Gibraltar, which was required to introduce a public beneficial ownership register under the EU’s Fifth Money Laundering Directive (5MLD).

8 Note this analysis only covers data from the UK ROE. It does not include data from the separate Scottish Register of Persons Holding a Controlled Interest in Land (RCI), which complements the ROE.

9 We understand a surge in registrations has caused a backlog in applications being processed by Companies House. Because of this, there is likely an unknown number of entities who have filed on time but did not appear on the register when we went to print.

10 <https://www.gov.uk/government/news/corruption-crackdown-under-new-government-anti-money-laundering-laws> [accessed 2 February 2023]

11 Those entrusted with a prominent public function, such as heads of state, ministers, senior civil servants and executives of state owned enterprises. They are subject to closer scrutiny under money laundering rules because they hold positions that can be abused for corruption and laundering these criminal funds.

12 Calculated by adding the number of properties owned by registrable entities yet to file to those properties held by companies who claim to have no beneficial owner or firms listing an opaque structure controlling them.

13 For England and Wales, this is overseas entities who purchased land on or after 1 January 1999.

14 <https://find-and-update.company-information.service.gov.uk/company/OE000703/officers> [accessed 2 November 2022]

15 <https://www.reuters.com/article/uk-portugal-angola-corruption-idUKKBN1IB2PG> [accessed 2 November 2022]

16 Note there are separate registers in Scotland and Northern Ireland, although only the England and Wales register provides this data free of charge.

17 Schedule 2, Part 3, Paragraph 7, The Economic Crime (Transparency and Enforcement) Act

18 <https://find-and-update.company-information.service.gov.uk/company/OE001059/persons-with-significant-control> [accessed 7 November 2022]

19 There are exceptions to this rule but they do not apply in this case.

20 [https://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWCA/Civ/2019/119.html&query=\(sanomi\)](https://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWCA/Civ/2019/119.html&query=(sanomi)) [accessed 7 November 2022]

21 <https://saharareporters.com/sites/default/files/Diezani-Bribery.pdf> [accessed 7 November 2022]

22 p.30 paragraph 125 <https://saharareporters.com/sites/default/files/Diezani-Bribery.pdf> [accessed 7 November 2022]

23 p.31 <https://saharareporters.com/sites/default/files/Diezani-Bribery.pdf> [accessed 7 November 2022]

24 <https://www.premiumtimesng.com/news/headlines/237538-third-man-named-diezanis-alleged-1-7-billion-u-s-corruption-case.html> [accessed 31 January 2023]

25 <https://find-and-update.company-information.service.gov.uk/company/OE001059/filing-history/MzM1MzE2NDE4MWFkaXF6a2N4/document?format=pdf&download=0> [accessed 7 November 2022]

26 <https://find-and-update.company-information.service.gov.uk/company/07224261/officers> [accessed 7 November 2022]

27 <https://www.premiumtimesng.com/news/headlines/237538-third-man-named-diezanis-alleged-1-7-billion-u-s-corruption-case.html> [accessed 7 November 2022]

28 <https://www.gov.uk/hmrc-internal-manuals/trust-registration-service-manual/trsm60020> [accessed 7 November 2022]

29 <https://www.gov.uk/hmrc-internal-manuals/trust-registration-service-manual/trsm60060> [accessed 7 November 2022]

30 <https://www.ros.gov.uk/our-registers/register-of-persons-holding-a-controlled-interest-in-land-rci> [accessed 8 December 2022]

31 Clause 182, Levelling-up and Regeneration Bill <https://publications.parliament.uk/pa/bills/cbill/58-03/0169/220169.pdf> [accessed 7 November 2022]

32 Specifically those relating to requests about trusts controlling offshore companies holding UK property.

33 <https://www.transparency.org/en/cpi/2022> [accessed 31 January 2023]

34 Paragraph 209.2 <https://e-qanun.az/framework/46953> [accessed 20 December 2022]

35 <https://e-qanun.az/framework/35815> [accessed 20 December 2022]

36 <https://www.chathamhouse.org/2021/12/uks-kleptocracy-problem/02-supply-and-demand> [accessed 20 December 2022]

37 <https://www.theguardian.com/world/2018/apr/23/azerbaijan-children-of-president-linked-to-dubai-property-empire> [accessed 20 December 2022]

38 Title number MX372844, address Kenwood Gate, Hampstead Lane

39 <https://www.occrp.org/en/corruptistan/azerbaijan/2015/06/15/the-mansion-on-the-heath.en.html> [accessed 20 December 2022]

40 <https://www.transparency.org.uk/economic-crime-bill-analysis-property-register-overseas-entities> [accessed 7 November 2022]

41 <https://www.opendemocracy.net/en/dark-money-investigations/revealed-nearly-400000-british-companies-evade-anti-money-laundering-checks/> [accessed 7 November 2022]

42 For more details see the following for a non-exhaustive list: OPBAS, Progress and themes from our 2020/21 supervisory assessments (September 2021) <https://www.fca.org.uk/publication/opbas/supervisory-assessments-progress-themes-2020-21.pdf> ; Treasury Committee, Economic Crime HC 145 (February 2022) <https://committees.parliament.uk/publications/8691/documents/88242/default/pp.74-76>; HM Treasury, Review of the UK’s AML/CFT regulatory and supervisory regime (June 2022) pp.43-51 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1085407/MLRs\\_Review\\_Report\\_-\\_2.5\\_for\\_publication.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1085407/MLRs_Review_Report_-_2.5_for_publication.pdf) ; Transparency International UK, Partners in crime: Analysing the potential scale of abuse of limited liability partnerships in economic crime (October 2022) <https://www.transparency.org.uk/sites/default/files/pdf/publications/Partners%20in%20Crime%20-%20Transparency%20International%20UK.pdf>

43 <https://www.occrp.org/en/the-pandora-papers/belarusian-elites-golden-deal-with-zimbabwe> [accessed 7 December 2022]

44 [https://cdn.occrp.org/projects/documents/the-pandora-papers/Memorandum-of-Association-Zim-Goldfields.pdf?\\_gl=1\\*1bcaz8v\\*\\_ga\\*MTk1NTk5MDcxMy4xNTQ5NjIwMzg4\\*\\_ga\\_NHC2V5EYY\\*MTY3MDUwODkxNC4yNDIuMS4xNjcwNTYyNjk1LjYwLjAuMA](https://cdn.occrp.org/projects/documents/the-pandora-papers/Memorandum-of-Association-Zim-Goldfields.pdf?_gl=1*1bcaz8v*_ga*MTk1NTk5MDcxMy4xNTQ5NjIwMzg4*_ga_NHC2V5EYY*MTY3MDUwODkxNC4yNDIuMS4xNjcwNTYyNjk1LjYwLjAuMA) [accessed 7 December 2022]

45 <https://find-and-update.company-information.service.gov.uk/company/11123074/persons-with-significant-control> [accessed 7 December 2022]

46 <https://www.occrp.org/en/the-pandora-papers/belarusian-elites-golden-deal-with-zimbabwe> [accessed 7 December 2022]

47 <https://www.occrp.org/en/the-pandora-papers/belarusian-elites-golden-deal-with-zimbabwe> [accessed 7 December 2022]

48 HM Treasury and Home Office, National risk assessment of money laundering and terrorist financing 2020 (December 2020) p.62 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945411/NRA\\_2020\\_v1.2\\_FOR\\_PUBLICATION.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945411/NRA_2020_v1.2_FOR_PUBLICATION.pdf)



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