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KEPT IN THE DARK

AN ANALYSIS OF
NEW HOME PURCHASES AT
375 KENSINGTON HIGH STREET

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Author: Ben Cowdock - Transparency International UK

Editor: Steve Goodrich - Transparency International UK

Design: Jon Le Marquand - Transparency International UK

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Kept in the Dark

An analysis of new home purchases at 375 Kensington High Street

Introduction

The tragedy at Grenfell Tower has put the UK's housing system at the front and centre of national debate, bringing into sharp relief questions about who the property market actually serves. The location of this tragedy, the Royal Borough of Kensington and Chelsea, is both home to some of the UK's wealthiest and poorest communities.¹ The juxtaposition between these two worlds is stark. Whilst many people living in the borough suffer from cramped, overcrowded and dangerous conditions,² luxury property in the area has been used as a safety deposit box for corrupt elites with impunity.

Our earlier research in 2015 found over seven per cent (5,836) of land titles in the borough were owned by anonymous companies based in secrecy jurisdictions,³ like the British Virgin Islands.⁴ Secrecy vehicles such as these are regularly found in high-end money laundering cases linked to corruption abroad, and are often used by corrupt elites to buy expensive UK property worth millions of pounds.

After a year-long study into the London housing market, we found that at least £1.7 billion worth of property in Kensington and Chelsea had been bought with potentially illicit wealth.⁵ This includes a £53 million mansion owned by Ukrainian Oligarch, Dimitry Firtash, who is currently facing corruption charges in the US.⁶ As part of this project, we also analysed Land Registry data for 14 landmark luxury developments across London to understand who was buying flats in some of the most exclusive developments in the capital. This research found that 40 per cent of properties were being sold 'off-plan'⁷ to anonymous companies and buyers from high corruption risk jurisdictions.⁸

We have now analysed Land Registry records for a new landmark development in Kensington and Chelsea – 375 Kensington High Street⁹ – part of the Warwick Road regeneration scheme where survivors of the Grenfell disaster are to be housed in affordable homes.¹⁰ We found that a high proportion of its apartments are being sold to investors using anonymous companies based in secrecy jurisdictions.

During April and May 2017, the UK Government consulted on measures that would introduce transparency about who really owns property through overseas companies like these – a commitment it made at the 2016 global anti-corruption summit in London.¹¹ Our research shows the need for legislation to enact these measures as a matter of urgency.

¹ <https://www.economist.com/news/britain/21723839-grenfell-tower-fire-has-become-stark-reminder-glaring-gap->

² <http://www.londonpropertylicensing.co.uk/%C2%A3162000-fine-after-18-people-found-living-unsafe-and-overcrowded-flat-near-royal-albert-hall> [Accessed 4 August 2017]

³ See more on p. 4

⁴ Transparency International UK, *Corruption on Your Doorstep: How Corrupt Capital is Used to Buy Property in the UK* (February 2015) <http://www.transparency.org.uk/publications/corruption-on-your-doorstep/>

⁵ Transparency International UK, *Faulty Towers: Understanding The Impact Of Overseas Corruption On The London Property Market* (March 2017) <http://www.transparency.org.uk/publications/faulty-towers-understanding-the-impact-of-overseas-corruption-on-the-london-property-market/>

⁶ <https://www.theguardian.com/society/2017/aug/01/names-of-wealthy-empty-home-owners-in-grenfell-borough-revealed> [Accessed 7 August 2017]

⁷ Buying or selling a property before it is fully built.

⁸ Transparency International UK, *Faulty Towers* p.40

⁹ <https://www.berkeleygroup.co.uk/new-homes/london/kensington/kensington-row> [Accessed 8 August 2017]

¹⁰ <http://www.independent.co.uk/news/business/analysis-and-features/grenfell-tower-kensington-row-government-luxury-flats-survivors-disaster-a7803356.html> [Accessed 8 August 2017]

¹¹ <http://ukanticorruptionpledgetracker.org/> [Accessed 8 August 2017]

Land Registry Analysis on 375 Kensington High Street

To find out who was buying apartments at 375 Kensington High Street, we used the same methodology that we had applied in *Faulty Towers* for 14 other landmark London sites.¹² We obtained copies of the land title for part of the development that is still under construction, which covered four blocks totalling 153 apartments that are part of the 'Warwick Road regeneration masterplan'.¹³ We then went through the register of charges in the land title to identify the official beneficiaries of the flats.

From this research we found that one in five (30) properties on the charges register were sold to companies based in a secrecy jurisdiction, with 12 per cent (19) based in the British Virgin Islands alone. In comparison, only one in ten (14) new homes were bought by investors disclosing UK addresses. One in six (24) apartments were sold to buyers from high corruption risk jurisdictions. This total could be much higher in reality as over 45 per cent (69) of properties were sold to buyers who did not provide information that would enable us to assess their country of residence with accuracy. We strongly suspect a number of properties in the development were sold to politically exposed persons.

Figure 1: Stated Country of Residence for Registered Owners of New Homes at 375 Kensington High Street

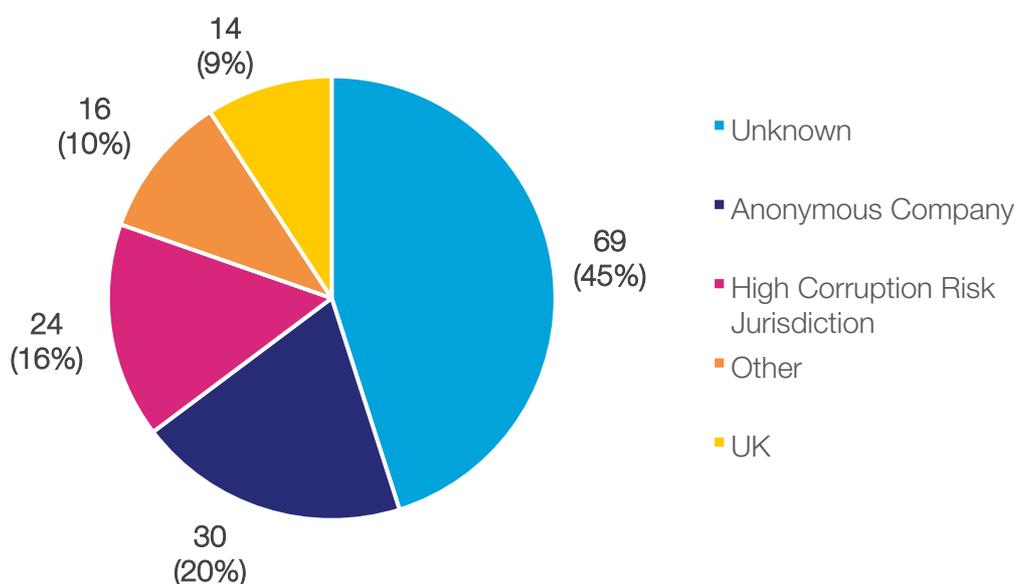


Table 1: Top 7 Jurisdictions by properties bought at 375 Kensington High Street

Jurisdiction	Number of Properties bought
British Virgin Islands	19
UK	14
UAE	8
Singapore	5
Isle of Man	5
Saudi Arabia	5
Malaysia	5

¹² Transparency international UK, *Faulty Towers* pp.37-38

¹³ http://newlondondevelopment.com/nld/project/warwick_road_master_plan [Accessed 4 August 2017]

What is an Anonymous Company?

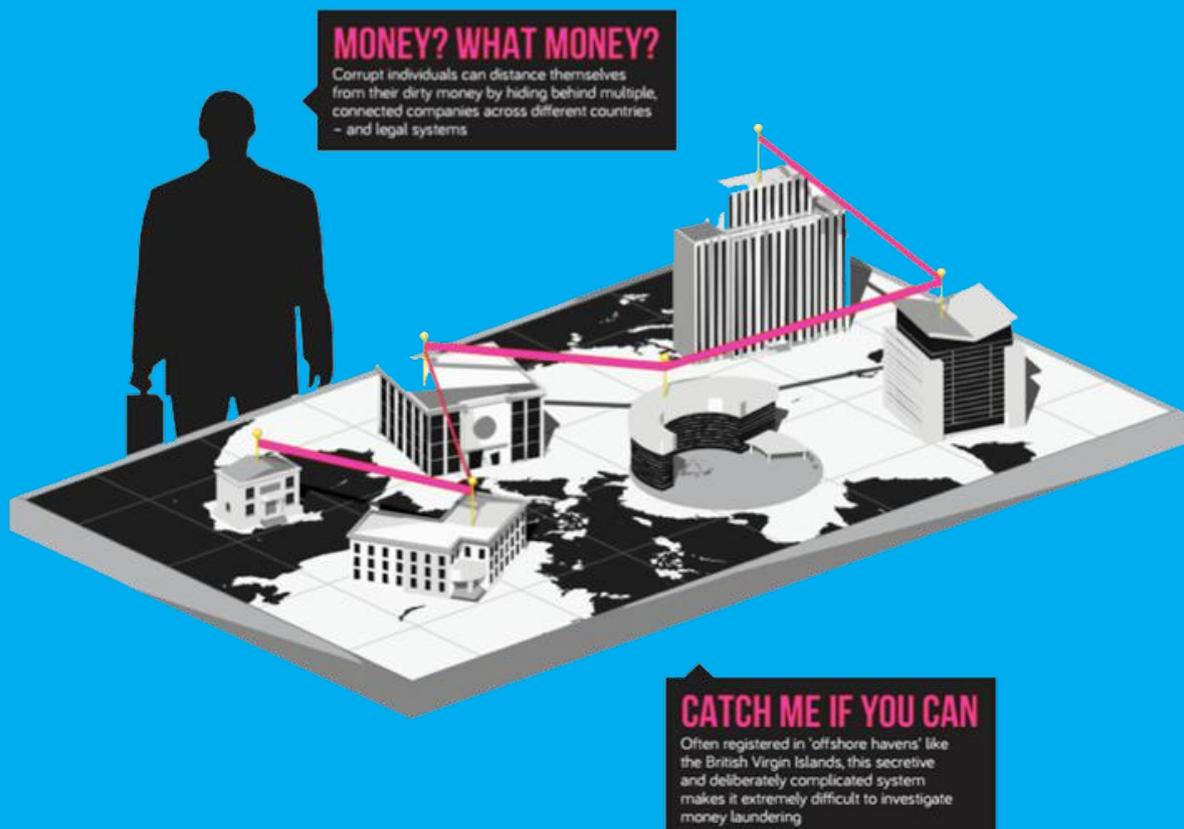
An anonymous company is a corporate vehicle registered in a secrecy jurisdiction – a place where details on who owns companies is kept hidden from public view.ⁱ These secretive corporate vehicles allow corrupt individuals to hide from scrutiny and enjoy their ill-gotten gains – such as bribes, kick-backs and stolen public money – with impunity.

In 2011, a World Bank study found that 70 per cent of over 200 corruption cases involved the use of anonymous shell companies to launder funds and conceal the true identity of corrupt politicians.ⁱⁱ

Based on open source material, we have identified 176 properties in the UK that have been bought with suspicious wealth. Of these, 108 are owned by companies with an identifiable jurisdiction of incorporation. 105 of these properties are owned by companies incorporated in a secrecy jurisdiction, with 91 owned by companies based in the British Virgin Islands, a UK Overseas Territory.

ⁱ We define secrecy jurisdiction in this paper as somewhere that scores 60+ on the Tax Justice Network's Financial Secrecy Index for 2015 <http://www.financialsecrecyindex.com/introduction/fsi-2015-results> [Accessed 17 March 2017]

ⁱⁱ Transparency International UK, *Corruption on Your Doorstep* p.5



Conclusion

Whilst not a certain indicator of corrupt wealth, the use of anonymous companies is a common theme in UK corruption cases and has been identified by the UK Government as a major money laundering threat.¹⁴ In Kensington and Chelsea over seven per cent of properties are owned by anonymous companies¹⁵ whilst overall there are around 40,000 properties in London which are owned through these secretive corporate vehicles.¹⁶

We make no allegations of complicity in corruption or money laundering concerning those involved in selling or buying property at 375 Kensington High Street. However, our findings should serve as a reminder of the relevance of risks around the use of anonymous companies and the need for transparency over who is buying property in the UK today.

Allowing UK property to be bought by anonymous companies remains a major and ongoing money laundering risk. They make it almost impossible for businesses, the general public and journalists to understand who is buying high-end property in the UK, and difficult for law enforcement agencies to obtain this information. Although there can be valid reasons for property owners to remain anonymous – for example, due to security concerns – exemptions can be arranged to protect the identity of these individuals as shown by the UK's Persons of Significant Control register.¹⁷

If the current situation is allowed to persist, corrupt individuals will continue to act with impunity, using the UK as a safe haven to hide their stolen wealth, and allowing some of the most impoverished countries in the world to be plundered for the benefit of a corrupt elite. Debates in Parliament suggest there is cross-party support for increasing transparency over overseas companies buying UK property – which would aid swift progress of necessary legislation.¹⁸ Turning this consensus into action is now urgent and would represent a significant step towards the UK ending its role as a safe haven for corrupt funds.

¹⁴ UK Government, *UK national risk assessment of money laundering and terrorist financing* (October 2015) p.43 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468210/UK_NRA_October_2015_final_web.pdf

¹⁵ TI-UK, *Corruption on Your Doorstep* p.3

¹⁶ Thomson Reuters and Transparency International UK, *London Property: A top destination for money launderers* (December 2016) <http://www.transparency.org.uk/publications/london-property-tr-ti-uk/>

¹⁷ <http://www.legislation.gov.uk/ukdsi/2016/9780111143018/regulation/36> [Accessed 4 August 2017]

¹⁸ <https://www.theyworkforyou.com/lords/?id=2017-07-10a.1079.4> [Accessed 4 August 2017]

