

AMENDMENT 117:

REVEALING PARTIES TO TRUSTS IN THE REGISTER OF OVERSEAS ENTITIES

The UK is a hot spot for international money laundering. Transparency International UK has identified more than £6.7 billion worth of UK property bought with suspect funds, with most of these held via secretive offshore companies. **At least £1.5 billion worth of these properties are owned by Russians accused of corruption or connected to the Kremlin.**¹ These properties have been found using investigations by journalists and other open data sources, and are therefore likely to be the tip of the iceberg.

Last year, in the wake of Russia's renewed invasion of Ukraine, the Government introduced emergency legislation to prevent abuse of the UK property market by kleptocrats seeking to launder their dirty money and evade sanctions here. This legislation – now the Economic Crime (Transparency and Enforcement) Act 2022 (ECTE Act) – created the Register of Overseas Entities (ROE), a public register of the owners of overseas companies that in turn own UK property. 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 owns them. These owners are then published in the ROE – with exceptions available for security reasons – in much the same way as those who own UK property directly are named in the Land Registry.

The ROE is already bearing fruit by revealing the owners of offshore companies that own UK property (including, for example, former Russian Deputy Prime Minister Igor Shuvalov).² However, **the ECTE Act also prevents Companies House from publishing information about the parties to trusts that are registered as owners of overseas entities, keeping these property owners from public view.**

As a follow-up to this legislation, and to allow Parliament more time to scrutinise elements of the ECTE Act that progressed through Parliament at speed, the Government introduced the Economic Crime and Corporate Transparency Bill. This Bill is an opportunity to improve measures that created the Register of Overseas Entities and close fundamental loopholes that undermine their effectiveness in practice. **Lords Amendment 117 amends the ECTE Act to prevent kleptocrats and criminals sidestepping new transparency rules by using trusts to own overseas companies that in turn own UK property, hiding their ownership of these properties from public view.**

KEY RECOMMENDATION

To strengthen the UK's property transparency regime, the Commons should retain Lords Amendment 117 to the Economic Crime and Corporate Transparency Bill to **allow Companies House to publish the details of trusts controlling offshore companies holding land in the UK.**

TRUSTS AS THE BENEFICIAL OWNERS OF OVERSEAS ENTITIES

The Economic Crime (Transparency and Enforcement) Act 2022 (ECTE Act) introduced the register of overseas entities (ROE), requiring offshore companies that own UK properties to disclose their beneficial owners³. This register helps police, journalists, civil society organisations and the public to identify and pursue property bought with suspect wealth. In theory, this register enables those investigating financial crime, including those outside of law enforcement, to peel back layers of secrecy that have been used to hide the proceeds of corruption and other crimes. **However, the corrupt and other criminals can continue to withhold their ownership of UK assets from public view in this register by owning overseas companies through opaque trusts.**

¹ <https://www.transparency.org.uk/uk-money-laundering-stats-russia-suspicious-wealth>

² <https://www.bbc.co.uk/news/uk-64536926>

³ Those who ultimately own or control an asset.

The ROE currently requires trusts who own overseas companies that in turn own UK property to report the name of the trust and its creation date, names of all trustees, beneficiaries, settlors, grantors or interested persons to Companies House. However, only the name of the trustee is published on the ROE, restricting public access on who really owns and controls trusts with property interests. **We calculate this hides ownership of over 7,000 companies⁴ – a quarter of those currently registered - and more than 20,000 properties from public view.**

The offshore trust and company service provider intent on laundering money through high-value UK property assets can easily set up a trust in Cyprus to register as the owner of a shell company in the BVI that owns UK land, in order that only the trustee of this trust, rather than the owner of the land, will be known to the public. While parties to trusts will need to be registered with Companies House and visible to UK law enforcement, under the current arrangements civil society and journalists will not have this access, limiting their investigations into dirty money which aid law enforcement in locating hidden sanctioned assets.⁵ The past two decades have consistently shown that granting journalists and civil society access to previously hidden information brings benefits to the global fight against corruption, money laundering and sanctions evasion. Local contextual knowledge of high risk individuals and companies combined with greater access to information on ownership of property via complex legal arrangements would complement the efforts of UK law enforcement agencies seeking to end the UK's role as a hub for illicit finance.

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To bring transparency to trusts in the ROE, the House of Lords voted in favour of an amendment tabled by former Cabinet and Treasury Minister Lord Agnew of Oulton which would allow Companies House to publish details about the parties to trusts in the ROE. This would mean all beneficial owners of overseas entities that own property would be published in this register, whether companies or trusts. A protections regime akin to the one available for owners of overseas entities could apply to ensure those with legitimate security concerns can remain anonymous on the public register.

Lord Agnew's amendment is to leave out page 139, line 35 of the Bill as originally brought from the Commons.⁶ It removes the line under 'Material unavailable for inspection' in the ECTE Act 2022 that reads '(iii) protected trusts information'.

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⁴ 7157 as of 1 August 2023

⁵ E.g. <https://www.occrp.org/en/asset-tracker/>

⁶ <https://bills.parliament.uk/publications/49554/documents/2831>