Press release: Crackdown on abuse of UK businesses for foreign money laundering

- New evidence shows certain financial instruments are being exploited by foreign money laundering schemes, one of which moved billions of pounds out of Russia
- Proposals will bring greater transparency and more stringent checks for frontmen going into business in the UK
- Reforms will ensure thousands of legitimate firms can still thrive and contribute £30bn a year of investment to our economy

Measures to crack down on the abuse of a specialised financial arrangement to launder dirty foreign money through the UK will be unveiled tomorrow (30 April), as part of a package of Government reforms.

Scottish Limited Partnerships (SLPs) and Limited Partnerships (LPs) are used by thousands of legitimate British businesses, particularly the private equity and pensions industry, to invest more than £30 billion a year in the UK. SLPs and LPs are business entities created by two or more partners where at least one partner is liable for what they invest.

However, evidence to be published tomorrow shows the growing evidence SLPs have been exploited in complex money laundering schemes, including one which involved using over 100 SLPs to move up to $80 billion out of Russia. They have also been linked to international criminal networks in Eastern Europe and around the world, and have allegedly been used in arms deals.

Business Minister Andrew Griffiths said:

> The UK has taken a leading role in the fight against money laundering and is known internationally as a great place to work, invest and do business.
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> But Scottish Limited Partnerships are being abused to carry out all manner of crimes abroad – from foreign money laundering to arms dealing.
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> This simply cannot continue to go unchecked and these reforms will improve their transparency and subject them to more stringent checks to ensure they can continue to be used as a legitimate way for investors and pension funds to invest in the UK.

Figures published for the launch of a government consultation tomorrow, show just five frontmen were responsible for over half of 6,800 SLPs registered between January 2016 and mid-May 2017. By June 2017, 17,000 SLPs, over half of all SLPs, were registered at just 10 addresses.

The consultation seeks views on a number of reforms to ensure SLPs can continue to be used as a legitimate vehicle for investment and enhance our world-leading business environment – a key part of our modern Industrial Strategy.

The proposals would make it clearer who runs limited partnerships to enable British investors to continue to use them legitimately and invest in the UK while cracking down on their use in unlawful activities. These include:

- requiring a real connection to the UK, including ensuring SLPs do business or maintain a service address in Scotland;
- registering new SLPs through a company formation agent, meaning frontmen will be subjected to anti-money laundering checks;
- new powers for Companies House to remove limited partnerships from the company register if they are dissolved or are no longer operating.

The reforms being proposed will apply to all limited partnerships in the UK and will also include new annual reporting requirements for limited partnerships in England and Wales and Northern Ireland, which will help Companies House ensure they comply with the law.

Last year, the Government introduced laws requiring SLPs to report their beneficial owner and make their ownership structure more transparent, seeing an 80% reduction in the number registered and tomorrow’s reforms seek to raise standards further.

The UK is already taking a leading role on the world stage to improve corporate transparency and was recognised by Transparency International as one of only four G20 countries with the highest rating for cracking down on anonymous company ownership.

The UK has worked to improve transparency and tackle money laundering through:

- introducing draft laws this summer for a world-first public register which will require overseas companies that own or buy property in the UK to provide details of their ultimate owners;
- making the UK’s company register public in 2015, making it one of the most open and transparency company registers in the world – viewed two billion times last year – meaning company information is under constant scrutiny;
- introducing a register of People of Significant Control in 2016, which now includes 4.6 million names. The register was expanded in 2017 to include Scottish Limited Partnerships;
- the Criminal Finances Act 2017, which provided additional powers to allow law enforcement agencies to identify and recover corrupt and criminal funds from those seeking to hide, use or move them in the UK;
- introducing unexplained wealth orders which can be used to compel individuals to explain the sources of their wealth – so people who we think have links to organised crime have to prove where their assets

come from.

Notes to editors

1. Scottish Limited Partnerships are a business entity provided for in UK law. Limited Partnerships are formed by at least two partners, one of which must be a general partner – who is liable for any debts incurred – and one limited Partner – who has limited liability but cannot play a role in how the partnership is run. Scottish Limited Partnerships differ to Limited Partnerships elsewhere in the UK as they have legal personality, which allows them to enter into contracts, take on debts or own property. In a Limited Partnership in England and Wales or Northern Ireland, this is done by the partners.