

# Treasury Committee

Oral evidence: [Economic crime](#), HC 917

Monday 25 January 2021

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Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Dame Angela Eagle; Julie Marson; Siobhain McDonagh; Alison Thewliss.

Questions 1 - 94

## Witnesses

**I:** Graeme Biggar, Director-General at the National Economic Crime Centre, National Crime Agency; Angela McLaren, Assistant Commissioner for Economic and Cybercrime, City of London Police; and Patrick Campbell, Temporary Assistant Chief Constable, executive lead for Organised Crime, Counter-Terrorism and Intelligence, Police Scotland.



## Examination of witnesses

Witnesses: Graeme Biggar, Angela McLaren and Patrick Campbell.

**Q1 Chair:** Good afternoon and welcome to the Treasury Committee evidence session on economic crime. Today, we will look in particular at the role of law enforcement agencies, and I am very pleased to be joined by three important witnesses, whom I will ask in turn to briefly introduce themselves to the Committee, starting with Graeme, please.

**Graeme Biggar:** Good afternoon. My name is Graeme Biggar. I am director general of the National Economic Crime Centre, which is based in the National Crime Agency and seeks to co-ordinate the response to economic crime across law enforcement and regulators.

**Chair:** Thank you very much, Graeme, and welcome. Angela?

**Angela McLaren:** Good afternoon. I am Angela McLaren of City of London police. I joined just a few weeks ago as the Assistant Commissioner with responsibility for economic and cyber-crime.

**Chair:** Thank you, Angela, and welcome. And finally, to Pat.

**Patrick Campbell:** Good afternoon. I am Assistant Chief Constable Pat Campbell from Police Scotland, where part of my portfolio is oversight of economic crime.

**Q2 Chair:** Thank you very much, Pat, and welcome. We are going to ask questions one Member after another, and each question will typically be directed at one or more of you, but if you are not asked to come in on a particular question and would like to, just raise your hand and I will do my best to bring you in at that point.

I will put this question to each member of the panel, but will start with Graeme. Fraud offences account for a third of all crimes in the ONS crime survey for England and Wales, and they were six times as common as theft of money from the person. Some people looking from the outside might ask why the police authorities have been unable to stem the flow of that epidemic in economic crime. What would your response be?

**Graeme Biggar:** Thank you—that is a really good question. We have a serious problem with fraud in this country; it has been growing steadily. That has largely mimicked the rise of the internet in the UK, which has allowed more and more crime to take place. In the UK, we do not place the highest priority on fraud across law enforcement and policing. As you said, in the crime survey in England and Wales, it accounted for about a third of the crime that is reported. It is a lot less in actual reports that actually get to the police—about 12%—which I can explain a bit. Only about 1% or less of police resources and personnel are devoted to fraud. There are fewer police than you would expect looking at that.



## HOUSE OF COMMONS

To put the figures in context, depending on which figures you look at in the crime survey in England and Wales, of the 3.8 million or 4.3 million offences, in about 1 million of those, there was no loss from the fraud—it was attempted fraud that did not lead anywhere—and in about another 2 million of those, the victim was reimbursed, often straightaway by a bank. You are then getting down to figures that are a bit more like the ones that get reported to Action Fraud. They are still large—I do not want to diminish them in any way—but you are down to the 800,000-odd that get reported to the National Fraud Intelligence Bureau in one of several ways. In about 40% of those offences, the loss is £100 or less, and in about 10%, the loss is £1,000 or more.

This is still a really important crime. In some of those that are more than £1,000, you are getting into really serious things that are life-altering for people. There is a very broad range there, so just starting at the 3.8 million or 4.3 million figures and the third of crime statistic does not quite give you the full picture.

**Q3 Chair:** That is very interesting. Does that, in part, answer the question of why more police resource is not dedicated to that, because of the kind of logic around the numbers that you have just talked us through?

**Graeme Biggar:** It explains why a third of police are not devoted to this. It is still 12%—please correct me if I have got that figure wrong—of crime that is reported to police, which is quite a lot, and a fair chunk of that is very serious. I think we would all agree that we need to do more, not just for policing, but across law enforcement in the round, so absolutely involving the National Crime Agency and others, and the financial sector and many more. We can happily come back to that in the rest of the evidence session. I think we would all collectively like to see a little more focus on this across law enforcement.

**Q4 Chair:** Thank you. Angela, on that, is it also your view that there is insufficient resource, of that available, put in to this area, and what sort of changes would you make if we were to get this right, to better reflect the prevalence of economic crime?

**Angela McLaren:** I would probably start by echoing Graeme's comments. The other thing I would point out is that alongside the—*[Interruption.]*

**Chair:** We have got some interruption. It sounds like a telephone message, so anybody—if you are on silent it is not you, but if you are not on silent it could be you, so just bear that in mind. Back to you, Angela.

**Angela McLaren:** Thank you. I was just going to highlight that alongside the ONS survey, obviously we have reports coming into Action Fraud, as Graeme has mentioned, and they are increasing year on year as well. So it is not just the crime survey. In fact, our figures reflect that continual increase. I think it is important to highlight that we welcome that reporting and I don't think it will be a surprise for Members to hear me say that we always welcome people reporting in, where they can, to allow us to see that full picture.



## HOUSE OF COMMONS

In terms of whether we have enough resources to manage this across policing, again, I think Graeme has covered it. It is a very small number of police resources available to deal with what is a large problem. However, I think it is important to highlight some of the improvements that have been made, and some of the other improvements that we hope to see coming forward over the next 12 months and beyond.

I think the first thing—and I know we will cover these in more detail later so I will not go into them too much just now—is that we have now, since the last review of economic crime by the Committee, got the national fraud policing strategy, which was agreed by the National Police Chiefs' Council in October 2019. I think that is important to highlight because that was bought into by all police forces and ROCUs across the UK. As a consequence of that, we are implementing new structures, both in terms of how we co-ordinate and the resources that are available. In this year and moving forward we are looking to see an uplift in resources in both the regional crime units and, indeed, as part of the City of London's police uplift, which will be dedicated to looking at fraud as well. So there is a need for more resources. I think that has been highlighted previously, but I think there is a positive in that, in that we are seeing not just an agreed strategy, but some resources being made available to tackle this problem.

**Q5 Chair:** Pat, can I just bring you in briefly, with a Scottish perspective on this? Are you sitting there with similar thoughts on these issues, including resourcing, as Graeme and Angela have set out?

**Patrick Campbell:** Yes, it is very similar—the trends within Scotland are in line with the national picture. There is no doubt about that. Year on year, we are seeing a 43% increase in fraud being reported to Police Scotland just now. Again, is it that the recording system is getting better, or is it that public confidence has increased and that is pushing the figures up as well? But it is clear that there is a significant increase year on year, and it is a continuing trend we are seeing, in line with UK law enforcement.

**Q6 Chair:** Okay, thank you, Pat. I am going to come back to you, Graeme, and leave it for Angela and Pat to come in if they want to on this one. Obviously over the last year, there has been a huge amount of money that the Government has been putting out in terms of furlough support and bounce back loans. We know from ONS work and Public Accounts Committee work, and others, that there appears to be a very high level of fraud around those—and, no doubt, around other schemes too. Can you just give us some sense of how significant that is, how you approach that, and what sort of challenges there are? It is obviously for HMRC and others to be heavily involved in that process, but could you just give us some sense of the challenge, there?

**Graeme Biggar:** I'd love to. When covid kicked off, we all kind of recognised that this was going to be a big thing for us in the fraud community as well as everywhere, and we had fraud against the public sector as one of the things that we really needed to watch. I don't think we had quite realised straightaway what a big deal it was going to be, so



## HOUSE OF COMMONS

we were very much looking, also, at fraud against the individual and trying to track that, spot it, head it off and warn people about it.

Again, Angela has the best figures on this through Action Fraud, but it has ended up that less than 1% of frauds reported by individuals over the past year or so have been covid-related. That is not as big as we had feared. There have been more frauds that have been frauds in the time of covid, in that they have been facilitated by everyone's working at home a little bit more and by the economic pressures that people feel under. We have seen more investment fraud and romance fraud in particular, for example, and online shopping because more people have been shopping at home.

However, the biggest single trend is the one that you have highlighted: fraud against the public sector. I would say that the figures that you mentioned are not evidence of the actual fraud. The figures that the NAO have come up with and the estimates that the Cabinet Office has used, HMRC's and BEIS's estimates, have all been assessments of assumptions about what fraud there might be, based on past experience of similar types of schemes. However, they are eye-watering—inevitably, given the size of the amounts of money involved. I think more than £40 billion has gone out in bounce back loan schemes already to 1.4 million applicants, and about the same amount of money has gone on the furlough scheme.

The assumptions that people have been using have been that in excess of 5% of that could be fraud for the furlough scheme and HMRC, and the Cabinet Office assessment on the bounce back loans would be in excess of 5%. When we look at the risk of not just fraud, but the money just not being paid back for other reasons, BEIS's own estimate is between 35% and 60% of £40 billion, so this is clearly massively important to the Exchequer, the taxpayer and the public as a whole.

We have been working closely central Government, who have the main responsibility on this, just as you said. There is a counter-fraud function in the Cabinet Office that seeks to co-ordinate all Departments in how they try to police fraud against any money that they spend. Fortuitously, they published in February a guide on what might happen in the event of crises—they were not thinking about pandemics in particular, but events such as this—so there was quite a good basis for them to build on. They made sure that there were fraud assessments against each of the schemes before they went public.

Again, this is not for me to speak to, and you will have Ministers in front of you in due course, but Government then had pretty hard decisions to make about the balance between reducing fraud risk and getting money out the door to people who really urgently needed it. The decisions they made seem pretty reasonable to me, but inevitably they have resulted in significant fraud risk. We see that coming—

**Q7 Chair:** Sorry to butt in there, but when you say, Graeme, that the judgments they made seem pretty reasonable to you in terms of the fraud risk, on what basis do you say that? What makes you feel that they got it about right rather than terribly wrong?



## HOUSE OF COMMONS

**Graeme Biggar:** Not as a law enforcement official, I guess, but just as a member of the public, those were very tricky judgments to make. It is easy to look back in retrospect, but at the time there was massive urgency to get the money out of the door. If I was sitting in those seats, I would have made slightly different decisions, I am sure, but that is because of the job that I have at the moment.

What we have seen is the suspicious activity reports, which I am sure we will come back to later in this session. We started seeing banks reporting in quite large numbers of SARs about potential fraud on these schemes. We highlighted that to Government. Through our national assessment centre—our intelligence analysis function—we produced an assessment of what we were seeing in terms of serious and organised crime threats, to bounce back loans in particular. On the back of that, we wrote to Government with our concerns, we provided a list of red flag indicators to banks, and we have been working ever since with Government on other checks and processes that could be put in place to reduce the risk further.

We have also been sharing data. There has been a fair bit of data analysis across Government on this already, and we have been trying to wash some of the data on applicants—again, this is particularly on bounce back loans—against our systems to see where there is evidence of a connection with someone who has previously been involved in organised criminality. We have started a number of investigations as well. To conclude on that, we made three arrests just on Friday, which you may have seen reported in the media, in relation to three individuals working in a financial institution in London who we believe have been responsible for a number of bounce back loan frauds, so we are on it.

I should also mention that BEIS contracted with NATIS, which is largely an investigative function for local authorities, but which has been given more money to expand and take on this responsibility. We are working with them. We will only ever be able to look at the most serious cases, as indeed will policing, but I think we will find, as time goes by and we see what is returned and what is not, that there has been a substantial amount of fraud through these schemes.

**Chair:** Graeme, thank you. I am now running rather short of time, personally. Angela or Pat, is there anything you want to add? No? That is fine. Great.

Q8 **Julie Marson:** I would like to look at the impact of the massive data leak from UK banks to US authorities, known as the FinCen papers. Perhaps I could start with Graeme. The intelligence division of FinCen designated the UK as a higher-risk jurisdiction on par with Cyprus. Do you think that is fair? What do you think of that assessment?

**Graeme Biggar:** I may have misheard you, but it wasn't a leak of UK banking data; it was very largely US banking data.

**Julie Marson:** It was.



## HOUSE OF COMMONS

**Graeme Biggar:** You are quite right that it exposed global challenges. I think what we saw in that was largely familiar, from where I sit, in a lot of the specific cases that came up. They were relatively historic; the most recent data was from 2017 but it went back over 10 or 15 years. The vast majority of those—certainly those with a UK nexus—were familiar to us, the Financial Conduct Authority or the Serious Fraud Office.

It was also familiar in the type of issues that it was exposing. I would not necessarily choose the words that some Americans have chosen, but we know that we are one of the biggest financial centres in the world, we know that we have prided ourselves as a country on the ease of doing business here and of setting up companies, and I think we also know that, as a result of that, it can be too easy to set up companies here, as we have seen repeatedly over the years. We have done some analysis recently on some of the laundromats that have come out of Russia and the former Soviet Union, and a disturbing proportion of the money that comes out of those laundromats—not much shy of 50% in one case—were laundered through UK corporate structures.

That is not through the UK or UK financial institutions—some of the money will never have touched the UK—but corporate structures that have been set up through UK systems. That makes the reform of Companies House that the Government have embarked on really important. We have been lobbying on that for a long time. We put a very strong response into the consultation that the Government did on Companies House, and the Government's response to that was announced in September. It is a really good response. It does not cover absolutely everything that we asked for, but it was at the higher end of our expectations and was widely welcomed. What we would really like to see now is the legislation that will enable that being put to Parliament and the funding that will come with it to enable the reform being voted on. It was pleasing to see in the spending review £20 million for the reform of Companies House. That is absolutely crucial.

There are other things that matter in the way the UK works—we might come back to trust and company service providers, or company formation agents, at some point—but I think reform of Companies House is the key thing that would address the concern that came out of the FinCen files.

Q9 **Julie Marson:** Do Angela or Pat have anything to add to what Graeme said, in terms of our designation as a higher-risk jurisdiction?

**Angela McLaren:** I think Graeme has covered certain elements of it. The other thing that we might want to touch on—I am sure Graeme will bring it in—is the use of SARs, and how we proactively try to be in the best place possible across the industry. I do not know if Graeme might want to touch on the use of SARs as well, but I think he covered the FinCen files. I echo what he said and welcome the review of Companies House as well.

**Graeme Biggar:** May I add a couple of points that I had in a moment of reflection when Angela came in? You will obviously get this very strongly from Government Ministers, but I feel it too: we had the Financial Action Task Force mid-term evaluation review of the UK, and it put us top of the



## HOUSE OF COMMONS

80 countries that it has reviewed so far. It is worth bearing that in mind. We still have real challenges to meet.

The other observation, which I absolutely make to American colleagues when I speak to them, is that they may consider us a jurisdiction of risk but, when we look at some of our data, they can be too. It is still easier to set up a company, and for the beneficial ownership of that company not to be clear, in the US than in the UK, so we have led the world on that. The Corporate Transparency Act, which was passed at the turn of the year in the States, will make a big step towards improving that, but in that particular area the US has been behind us.

**Q10 Julie Marson:** The SARs regime is 30 years old, I think. Is it fit for purpose? Could you talk a little more about the regime in general?

**Graeme Biggar:** Certainly. Twenty years ago, we got 20,000 suspicious activity reports in, largely from banks. This year, we would not be surprised if we got three quarters of a million, and the number of defence against money laundering SARs, where we are told in advance and given the option to refuse permission to proceed, is going to double, we think, this year. The sheer volume coming through is really significant and very hard to deal with.

We all have more data in our lives, and you do not just recruit more people that relate to the extra amount of data that you are getting in. It is absolutely about the IT and the analytics that we can put across that data. There is a SARs reform programme that is run overall by the Home Office. If you had the Security Minister speak to you, he or she, depending on whether James is back, can speak to that. What we are doing under that is increasing the number of people in our financial intelligence unit. In 2018, it was 80; it is now 140. The plan is to get close to 200.

We are putting in place new IT to make it easier for reporters to get the information to us in the first place, and to give us much stronger analytical tools to use when we have it. Then we are going to do two things on top of that. The first is to make it much easier for law enforcement to use the data. About 16% of SARs, on the basis of one sample we did, are used in law enforcement investigations, so there is not bad usage out of this, and the amount of money that has been restrained as a result of SARs has tripled in the last three years, or two and a half years, from about £50 million to £171 million. So we are getting good use of them, but we could see more use across law enforcement of the data, and in the NCA.

The final thing we are looking to do, and we have started already, is to provide much better feedback to reporters on what we are seeing out of the data, so that they can not only improve the reporting that they give to us but take account of the trends that we are seeing in the risk mitigation measures that they put in place within their own organisations.

**Q11 Julie Marson:** Are banks and financial institutions doing enough to combat economic crime, would you say?



## HOUSE OF COMMONS

**Graeme Biggar:** They are doing an awful lot. You have had a strong piece of written evidence from UK Finance that sets that all out and explains that they estimate that they are spending roughly £5 billion a year on compliance. Sometimes compliance can be ticking a box because they are required to do so, and not necessarily reducing the financial crime risk, but if that is the requirement that they are faced with, they have to do it.

They have introduced confirmation of payee over the last year—again, something that my predecessors have argued strongly for. We are waiting to see what effect that has, but it really should have a strong effect on one of the main types of fraud that we are seeing: the authorised push payment fraud. They have done quite a lot on fraud prevention. I see that, and I am sure that you all see that in the letters and emails that you get from banks, so there is a lot that they have done.

I think there are two areas where I would like to see a bit more, and many of the banks would too. We have been lobbying for the idea of—we need to get a new word for this—configurable bank accounts, giving customers more choice about how they run their bank account, so that they can, for example, put more delay into payments or prompt checks with a third party, someone they nominate, on payments over a certain period. That is just to swing the pendulum back from the trend that there has been in financial services, and which is absolutely driven by Government and regulator, for faster payments, and give customers the option of slowing things down. That is one thing that we would like to see pushed forward, and we are very pleased that UK Finance and the banks have agreed to take it forward.

The other thing, which is only now becoming possible because of developments in data analytics, is to look at real-time transaction data. Banks are beginning to do that within their own bank and, as a result of the analytics they can apply, spotting where a transaction is happening that looks suspect and stopping it there and then. They have always been able to do that occasionally, with human intervention, but they can begin to do it en masse, and that has become possible only over the last two or three years.

What we are not yet able to do is look at the transactions across all the different banks as they are happening. If we were able to do that—it is a very significant challenge—we would spot patterns much more quickly and, I think, be able to freeze and restrain money as it was defrauded from a victim and as it was muled around different bank accounts to obfuscate where it had come from.

So those are two things that I would like to see banks do more of, but I could not finish the answer without saying that it's not just banks. A lot of the attention goes on banks on this—you will see it in the UK Finance evidence as well—but there are a number of other sectors that are really important to reducing the threat of fraud in this country, be it the insurance, retail, legal or accountancy sectors. The tech sector and social media companies also have a really important role, as do telecoms. So it really needs to be everyone coming together to make a real difference.



## HOUSE OF COMMONS

**Julie Marson:** Thank you very much. I am out of time—unless Angela or Pat want to add anything to any of that. If not, we will move on. Thank you, Chair.

Q12 **Dame Angela Eagle:** Graeme, what percentage of frauds reported are cleared up and see convictions secured?

**Graeme Biggar:** Angie might be in a better position to answer that if—

**Dame Angela Eagle:** Angela? From one Angela to another.

**Angela McLaren:** Thank you. Sorry, please bear with me: I am just getting some figures out. We can provide to the Committee figures in written format, if that is helpful for your evidence gathering. This is quite complex and I still consider myself relatively new here, so you will forgive me if some of my explanations are not as precise as some of my predecessors'.

**Dame Angela Eagle:** Sure—and feel free to send us that written evidence once you have given us your verbal answer.

**Angela McLaren:** I will. If I look at trends over the past few years in terms of judicial outcomes and balancing those judicial outcomes against the disseminations that we have made from Action Fraud to forces, we are seeing improvements in the number of positive judicial outcomes that are coming through. That is the number of positive outcomes; it is not the same as somebody being convicted in a court. If I were explaining this in Scotland, it would be the number of charges that had been put forward. So that's how many reports we are making into—

Q13 **Dame Angela Eagle:** You have said that it has gone up, but you have not told me what the figures are.

**Angela McLaren:** The figures are these. In 2016-17, the percentage of positive outcomes was 11%; that has now risen to 19%. I don't have that in front of me in figures; I only have it in percentages, but we can provide that—I apologise; it's a few lines further up. What we are seeing is that this year—sorry, last year, we saw 6,377 outcomes from 33,000 disseminations. That is, in terms of a percentage—19% is the figure that I have been given and is in front of me.

Is that where we want it to be? No, it's not. We would like to see further improvements in this space. We can, as I say, provide some written information to you, but what I would say is that, on the figures that we have seen this year to date, which I don't have in front of me at the moment, we are seeing that figure rising again. So, percentage-wise, we are seeing improvements—as I say, we can put that in—but it is not as positive as I would like it to be.

**Dame Angela Eagle:** Right.

**Graeme Biggar:** Dame Angela, could I add to that? The figures Angela provided were as a percentage of disseminations, I think. Those are when the data and the reports come into Action Fraud and they pull it together



## HOUSE OF COMMONS

to see whether they can link it with other frauds or whether there are any leads that a police force could actually follow up, and if there are, they pass it off to a police force.

There are, of course, an awful lot that come in where there is just no information to follow up on, which is very unfortunate for victims and, frankly, very uncomfortable for us, but it means that the percentage of results compared with actual reports that come into us will be a lot lower than the figure Angela mentions.

**Q14 Dame Angela Eagle:** It is tiny, isn't it?

**Graeme Biggar:** It will be between 1% and 3%, depending on exactly which figure you take it from.

**Q15 Dame Angela Eagle:** There is not that much difference between 1% and 3%, in terms of trying to persuade potential criminals that indulging in fraud might actually be a risk for them, is there?

**Graeme Biggar:** No, there is not. We are working really hard to pull that up. I would just go back to the comments I made near the start about—

**Q16 Dame Angela Eagle:** I take account of those comments. However, one estimate of the overall size fraud in the UK is that between 0.5% to 5% of public bodies' resources are defrauded. If that were the case, that is the same size as the Defence budget every year—£40 billion. That is £40 billion of potential public fraud, £40 billion of ill-gotten profits for criminals and 1% to 3% of convictions from law enforcement. It seems like a pretty risk-free occupation, defrauding public bodies these days, doesn't it?

**Graeme Biggar:** The figures that we started with were not about public bodies. They were very largely about individuals with some businesses. Largely, the public sector, co-ordinated by the Cabinet Office, responds to the £40 billion or £50 billion that you were talking about—fraud against the public sector, be it in contracts or individuals defrauding through the benefits system or the tax system. HMRC and DWP have really strong capabilities to tackle that.

The amount of money defrauded from the public reported to Action Fraud—Angela will correct me if I am wrong—was £2.3 billion last year. However, that is still an enormous figure; I am not in any way trying to diminish the point. If your point is that there is not a sufficient deterrent for fraudsters and there is insufficient recourse for victims, we absolutely agree.

**Q17 Dame Angela Eagle:** Do you think there is a hostile environment against economic crime in the UK at the moment?

**Graeme Biggar:** I think there is a more hostile environment than in some countries, but it is not nearly hostile enough. On fraud, Angela spoke earlier about some of the things we are trying to do.

My quick pitch on it is that there are five things we need to do to make a material difference here. The first is around leadership and governance.



## HOUSE OF COMMONS

We have not pulled this community together previously. One reason why the National Economic Crime Centre was set up is to do that, but we need really clear policy leadership in the Home Office and then operational leadership from my team to pull everyone together, because it has been a disparate community.

Secondly, we need much stronger intelligence capability. We have traditionally looked at fraud on the basis of victim reports. That is not sufficient. We need to combine it with bank data. We need to put our covert collection assets on it. We need to bring in the intelligence agencies to significantly improve our understanding.

Fraud does not happen in the volume that it happens unless it is done in quite a sophisticated way by organised groups, so we need to get that understanding and identify those groups. Thirdly, we need to pursue those felons in a much more top-down, targeted way. Instead of chasing every single victim report that we get in, which we would love to be able to do but will never have the resources to do, it is better to try to identify the groups that are creating the most harm and go after them. Fourthly—

**Q18 Dame Angela Eagle:** This is crime 101, though. Why has this not happened before now, given the damage being done and the relatively risk-free environment in which fraud is being allowed to fester?

**Graeme Biggar:** It has ebbed and flowed over the years. We have been better at this in the past.

**Q19 Dame Angela Eagle:** Ebbed and flowed between 1% and 3%?

**Graeme Biggar:** Ebbed and flowed in terms of the quality of our response over a decade past, but it is not good enough at the moment, and I am not defending that.

**Q20 Dame Angela Eagle:** The issue is surely that those who are very good at making their money in this way are often organised crime, and if you can defraud or create circumstances where you can get round the law in one instance, you can be involved in trafficking, drug trafficking and terrorism and all sorts of other things. You are allowing crime structures to flourish by not tackling fraud, aren't you?

**Graeme Biggar:** You are certainly allowing crime to flourish and there is more poly-criminality, as we call it. As it happens, we do not see that much interchange between—

**Q21 Dame Angela Eagle:** Can we have some poly-convictions as well as poly-criminality, please?

**Graeme Biggar:** As Angela mentioned, there were 6,000 last year. It is nowhere near enough, and we are trying to do a lot more with the intelligence capabilities that we are developing and the procedure that I talked about.

**Q22 Dame Angela Eagle:** *The Mail on Sunday* recently reported that NCA financial investigators have privately stated "that they believe targeting



## HOUSE OF COMMONS

corrupt businessmen with access to 'expensive QCs and claims of private wealth' is a 'waste of time'". Does that show the kind of determination to crack down on these highly dangerous people that we want to see in a modern democracy?

**Graeme Biggar:** It does not. I am baffled by that comment. It has not been part of any conversation that I have had within the NCA. We have really dedicated people working very hard, both investigators and lawyers, to do are exactly what *The Mail on Sunday* was suggesting we do.

Q23 **Dame Angela Eagle:** How many convictions have they managed?

**Graeme Biggar:** It is a mixture of convictions and civil action as well; I think the context of that particular article was pursuing people through civil action. We have been trying to use the new powers that we got in the Criminal Finances Act 2017, unexplained wealth orders and account freezing orders, to go after criminals in a different and better way, and we have been trailblazing with that.

We have had four unexplained wealth orders so far; we have lost one of those in the courts and another one has gone all the way to the Supreme Court. The point that was implicit in the article you were referring to—that criminals with a lot of money will fight you very hard in the courts and that is very expensive—is true, and that presents challenges for us, but we have also had successes. We won in the Supreme Court recently on the very first unexplained wealth order, and then on another we managed to seize £10 million, or come to a settlement where we took £10 million, off a suspected money launderer in Huddersfield and Leeds. We have had a really good success there.

We can use account freezing orders much more often than unexplained wealth orders, which will be used in fewer circumstances, and we have done many more of them. That is now in their hundreds, rather than just in the few for unexplained wealth orders. I am not saying we do not have a long way to go, but we are making progress.

**Dame Angela Eagle:** I think we have a very long way to go. Thank you, Chair.

Q24 **Chair:** I will come to Harriet in a sec, but may I very quickly follow up on that, Graeme?

Given the level of resource you have, I am trying to work out in my mind, given the very low clean-up rate here, whether this is an order of problem where more resource and being smarter is going to get us to the point where criminality thinks it is not worth it, or whether it is just unrealistic for us to expect, given the resources you are likely to have, to ever get that number up to, say, 20% or 30%, where people start to think that it is not worth the chance.

**Graeme Biggar:** I think we can make a material difference to it. There will always be fraud and there will always be criminals who are incentivised to do it, in the same way that there will be other crime. The fourth leg of what I was going to suggest was around protect: it is



## HOUSE OF COMMONS

designing out fraud. You are absolutely right that we will not have the resources to pursue everyone, but we can make it harder to do this. That means working with the banks, the social media companies, the telcos and everyone else to try to design out the opportunity for fraud.

The fifth element is making sure we put the right victim support in place and get the right reporting in from victims, which City of London police have been working very hard at. There will always be fraud, of course, but I absolutely believe we can make a material dent in it if we carry on with this plan, get better data-driven intelligence and use it to go after the people at the top of the tree.

**Q25 Harriett Baldwin:** We all wish the Security Minister a full recovery. Is he able to continue to engage with your work at the moment, or is there an acting Security Minister?

**Graeme Biggar:** James Brokenshire has stepped back from being Security Minister at the moment and—

**Q26 Harriett Baldwin:** Who is acting Security Minister?

**Graeme Biggar:** Baroness Williams has taken on the portfolio from our point of view.

**Q27 Harriett Baldwin:** I thought I had followed all of this quite closely in my time as a constituency MP, but also as a Minister. In FCDO I had responsibility for the international side of things; and Economic Secretary—obviously very involved. I have to confess that this is the first time I have heard of the National Economic Crime Centre that was stood up in 2019, Graeme. Are you part of the NCA? Are you trying to bring together all of these disparate parts and are you, overall, responsible and accountable for the economic crime plan?

**Graeme Biggar:** It was set up in November 2018. I came in in March '19. It is based in the National Crime Agency, so we get our legal powers and funding through the National Crime Agency, but it is set up and designed to be a multi-agency centre. So it is only 90 people. The actual core of the centre then has a broader responsibility I will come back to, which is made up of about 60 or 70 people from the NCA itself and then secondees that come in from the different partner organisations that are part of the community; so that is the City of London police, absolutely, as we have on the line, the Serious Fraud Office, HMRC, the Financial Conduct Authority, the Crown Prosecution Service and the Home Office.

**Q28 Harriett Baldwin:** But you at your agency are responsible for the economic crime plan. Is that correct?

**Graeme Biggar:** The economic crime plan is owned by the Home Office and the Treasury—the Government's economic crime plan.

**Q29 Harriett Baldwin:** It is just that a lot of the evidence that we got in this inquiry requires all of these different agencies—the NCA, the FCA, the Home Office, the City of London police—to work together to deliver the outcomes that are set out in the national economic crime plan, and it is



not immediately apparent to me how setting up another organisation with another lot of acronyms is going to help the members of the public who are being defrauded by these economic tricksters. I just wondered: you don't feel your ownership, in terms of within the Home Office, of this economic crime plan.

**Graeme Biggar:** I said in the National Crime Agency, rather than the Home Office. The economic crime plan is the Government's economic crime plan. In terms of ownership and responsibility for driving an operational response to economic crime, I absolutely feel that. The Government chose not to set up a single massive, meta-economic crime agency, merging all the different organisations that are listed, which was a perfectly reasonable choice, but instead to try and get them to co-operate more effectively. So I am effectively the capping organisation—me and my team—to try and ensure, and to ensure, that all the organisations work together effectively.

Q30 **Harriett Baldwin:** That does suggest that there is more work to do to be that co-ordinating body for economic crime—when someone like me hasn't heard of you yet.

**Graeme Biggar:** That is the reason why we were set up. The feeling when the Cabinet Office did a review in 2017 was that understanding of economic crime was not good enough; co-ordination was poor; and we were not involving the private sector enough.

Q31 **Harriett Baldwin:** So there is still work to do, you would agree. Okay. In terms of other submissions we have had to the inquiry, a lot of people have drawn out the fact that data protection legislation, sharing information between all the different co-ordinating parts, is a big issue. Do you also agree that those are real barriers?

**Graeme Biggar:** There are barriers there. They are sometimes more apparent than real, but we do think that there is a need for some new legal powers to make it easier to share information. But I wouldn't want to imply that we are not doing a fair bit of that already. That is one of the things we have been trying to drive forward. So we created the national data exploitation capability within the NCA, to look at serious organised crime in the round, but we have pulled in a number of different data sources and are quite able to do that under current legislation. So we have got the suspicious activity reporting data, all of Action Fraud's data, Companies House data, Land Registry data, data from Cifas—a non-governmental body but where a lot of industry fraud gets reported to. So we have pulled all that together to analyse it, and can make a difference with it.

Q32 **Harriett Baldwin:** And, Angela, in terms of your work with Action Fraud and the City of London police and where it crosses borders into EU countries, have you noticed any setback from the changes on 31 December on real-time police databases across the Schengen area? Have you noticed any change?



**Angela McLaren:** We have not noticed any detriment at this time. We get a lot of requests from countries to take international inquiries forward. At this time, we have not seen that. On the wider point about the use of data and information sharing—I think Graeme covered that we have a lot of data available—one key thing in combating this growing area of crime will be investment into data and our use of it. It is good that we can get the data. It will be key that we can use it effectively. That is something Graeme and I are keen to work on closely together: to use the data to get the results, to drive out the behaviours we see across the board. That is key. There is a lot of data. The key thing will be investing into the systems to allow that data to be used effectively.

Q33 **Harriett Baldwin:** Also in terms of prevention. For example, we will look closely at the recent Gloster report, which identified a number of failings at the FCA in combating fraud. Do you see more that you, the FCA and the NECC could do to prevent fraud before it happens and arm the general public, in terms of what they can do to spot these things before they occur?

**Angela McLaren:** There is always more that we can do. I know that is a generic answer that you would expect from me.

Q34 **Harriett Baldwin:** And the FCA?

**Angela McLaren:** Across the board. There is always more that everyone can do. I would not want to commit on any specific organisation. I do not feel I have been here long enough to make that kind of judgment.

Q35 **Harriett Baldwin:** Oh, go on! You must have had some frustrating moments so far with other agencies, no?

**Angela McLaren:** It is too early to be frustrated. I am sorry, I will go back to one of my earlier answers; I hope you do not mind. When we look at the number of positive outcomes we have—I know Graeme has covered this and it is old terminology—we will not arrest our way out of fraud or economic crime. That prevention piece will be critical moving forward.

Q36 **Harriett Baldwin:** Why “moving forward”? It has been critical for so long. Surely, there must be some plans already in place to improve prevention.

**Angela McLaren:** There are plans in place to improve prevention. From my perspective, looking closer at the economic crime and cyber-crime portfolios within policing, and looking at opportunities to be more efficient in these areas, is something we need to consider moving forward. There is a collective effort to get prevent messages out. As Graeme covered, elements of design are being built into banking systems to prevent and to protect people, but there will always be more to do in this space. It is a focus coming into this role, which I want to look at moving forward. There is more to be done. The continual evolution of fraud and fraudsters—we have seen it with covid—means we will always have to put more effort into prevent and prevention, because the narrative will continue to change.

Q37 **Harriett Baldwin:** Graeme, do you want to comment on the FCA and your working relationship with them?

**Graeme Biggar:** We work really closely with the FCA. We are struck by the Gloster review. As we knew from the start, the criminal investigation into London Capital & Finance continues. We are doing a lot of work with the FCA on investment fraud generally at the moment. "Scam Smart" will be launching again this week. That is their periodic big push to educate people of the risks of investment fraud in particular. We have fed into that, to try to give some law enforcement examples and grit to it.

On prevention, you said prevention is always critical. Absolutely, but the world changes. As I mentioned at the start, the growth of the internet has been part of that. Over recent years, particularly in investment fraud, we have seen very pushy advertisements of investment fraud scams hosted on websites, popping up at the top of Google searches and pushed through social media. We are working hard with the City of London police, the FCA and the National Cyber Security Centre to find ways of identifying those websites early, both when the public report them and on our own back, and then having them taken down.

So, City of London police and the National Cyber Security Centre launched the suspicious email reporting system in April. That is for emails coming into your account—so, a slightly different thing. But they have had 4 million responses from members of the public through that and as a result they have taken down 26,000 sites.

More recently, we have been augmenting that, specifically looking at investment fraud, which we started in November. And working with the FSA and the NCSC, we have taken down 70 websites that had effectively been selling fraudulent scams—

Q38 **Harriett Baldwin:** 17 websites?

**Graeme Biggar:** No, 70. So, a small number—70 websites and 120 phone numbers. It is relatively small, but each of those could have cost someone, or many people, their life savings.

New trends around that have been clone firms—so, someone setting up a website and pretending to be Aviva, or someone like that, with just one digit different. Also, there are fake comparison websites. So, you type in that you want to find the best ISA you can, and you don't get one of the market leaders; you get a fake site.

Q39 **Harriett Baldwin:** My constituents are bombarded with these things. Where should I direct them to identify the legitimacy of these sites and phone numbers?

**Graeme Biggar:** If they go to the FCA warning list, that will identify every firm that has been identified as operating in an unauthorised way, or where there have been warnings. That is the best way of identifying things that we have spotted as looking like they are frauds.

We would recommend that you Google the main providers and go to one of the market leader comparison sites. And if you are in any doubt, or

have been sent a phishing email, send that email on to [report@phishing.gov.uk](mailto:report@phishing.gov.uk), which will look at it.

**Harriett Baldwin:** Sadly, I am out of time, but there is probably quite a lot you could do to increase awareness of all those different routes. Thanks.

**Graeme Biggar:** Thank you.

Q40 **Rushanara Ali:** Good afternoon. I will focus my questions mainly on the Government's economic crime plan and progress on that. Perhaps you could start off, Graeme, by giving an update on whether you think the Government are on course to implement the plan, and by saying what the significant barriers are. Then, others could come in with responses to that question as well, please.

**Graeme Biggar:** I think we are broadly on course. We are just one player in this process. As you will have seen, there are seven themes across the report; there are transparency and supervision, and international action, and things that are less core to law enforcement.

Broadly, there has been pretty good progress. RUSI has been helping and challenging us, by providing a quarterly update in public on what it assesses to be our progress. You can see there that a good number of actions have been completed, and quite a few actions that are ongoing, and critique from RUSI.

I think we have done a good job in improving our understanding of economic crime. One of the recommendations of this Committee previously was that we should come up with better overall estimates of the scale of economic crime, particularly money laundering. That is really hard, so we are struggling with doing that, but we are beginning to get under the skin of where elements of it are coming from. We have made some much better assessments now of the scale of money laundering—cash money laundering in this country on the back of crime in this country, as opposed to money that comes from other countries. I can go into that in some detail, if you want. So, our understanding has improved.

I think our collective action to respond has also improved, with the National Economic Crime Centre, or NECC, and all the organisations working with it. And as I mentioned earlier, I think Companies House reform is one of the most significant things; if that can be driven through, it will fundamentally help us.

**Rushanara Ali:** Angela, do you want to come in? Then, I will have some questions for Patrick.

**Angela McLaren:** Yes. One of the key elements of the plan was improving the police response. I think I touched on a couple of elements of that earlier and I do think that our police response to economic crime is improving. As I mentioned, we now have a national strategy, with implementation plans. We are seeing an increase in the volume of resources that are managing this threat.



However, the key thing I would highlight is that within the City of London police we have made efforts to improve the Action Fraud service, as well. If that is the gateway for people to come into the service, it is important that that is right. The City of London Corporation commissioned the Craig Mackey report and gave us recommendations on how we could improve the Action Fraud centres, the general process and, indeed, the victim care elements of it. I think we are making improvements across policing, but a lot more can be done.

**Q41 Rushanara Ali:** Am I right in thinking that action 26—improving the police response to fraud—is overdue by a year? Is that because of covid pressures and other pressures? What are the reasons for the delay?

**Angela McLaren:** A number of things have prevented us from taking that forward as quickly or as effectively as we would want to. As I say, there is an improvement. I have not actually been through a meeting cycle of this yet, so I will have more information as this progresses. Perhaps it is something that we could put forward some additional evidence on, if that would be helpful to the Committee. I do not think we can blame covid for not taking things forward. If anything, policing has continued regardless of covid, but we are seeing improvements. As I say, we have seen some improvements to the Action Fraud service, and we are seeing buy-in.

**Q42 Rushanara Ali:** I have been on this Committee for some time, and I was on the Committee for the previous inquiry. What seemed to me to be a running theme—it is not a criticism of the work that the police do—is that the City of London police have not had the same traction. In the US, they have managed to go after people who are involved in economic crime and get them prosecuted, and there seems to be an issue. Do you think that is about what the police can do, or are there still systemic barriers to getting prosecutions? We do not seem to succeed, and the FinCEN papers and the response from the US authorities highlighted some of those challenges. Where is the problem here? Despite the good work that you are all doing, it feels as though we are not getting as far as we should be. Angela mentioned the £40 billion gap, and it is much wider when we look more broadly at this issue.

**Angela McLaren:** This is an area—Graeme touched on it earlier—that has been under-resourced historically. There is a need to put more resources into this area, to allow us to put more reports forward. As a consequence of that, and as I mentioned already, we are looking to put more resources into this space, but we are competing for resources against other priorities. Every force has a number of priorities that it has to manage constantly. We need more investigators, but we know there is a shortage of investigators across England and Wales, so we have looked to increase training and put out additional training in the economic crime space. We need to do a combination of things. Some of that has been covered already, but a lot of it is about increasing resources.

**Q43 Rushanara Ali:** Can I pick up on the point about resources? The Government is planning to introduce an economic crime levy to support the economic crime plan. How much will be generated from it, and what



## HOUSE OF COMMONS

will you get? What will the police get, if anything, from that? Will that be sufficient?

**Angela McLaren:** Graeme might want to come in on that.

**Rushanara Ali:** Briefly, because I want to get on to Scotland.

**Graeme Biggar:** Very briefly, the Government has said it will look to raise £100 million from the levy, but the intent is that that is levied on the money laundering sector and is to be spent on money laundering explicitly, not on fraud. There will be some crossover, but it is not a sustainable solution to how we fund fraud law enforcement activity in this country. As part of the consultation, they have asked for ideas on how that might happen.

Q44 **Rushanara Ali:** Angela has talked about resource implications for law enforcement. How much is needed, and what are the ideas that you are proposing?

**Graeme Biggar:** The five-point plan that I was talking about earlier is what we would propose. We had a bid prepared to go into the spending review when it was a multi-year spending review, but that was not possible.

Q45 **Rushanara Ali:** How much were you asking for?

**Graeme Biggar:** It would be in the low hundreds of millions.

Q46 **Rushanara Ali:** Sorry, can you be specific? How much have you asked for? We can reiterate the point in this inquiry and reinforce that argument. I think we need tangibles. This is the second inquiry that has been done on this by this Committee on my watch. We need to move forward. How much have you asked for?

**Graeme Biggar:** It was a dance of how much we thought we would get. I think we pitched for £80 million in the end, but I would have to check that and confirm. Of course, that is the kind of debate that we tend to have more privately with the Government, but per annum, that was what we felt was a modest investment in making a material difference. We could do a lot more with more money.

Q47 **Rushanara Ali:** Great—thank you very much. Patrick Campbell, obviously the plan is focused on England. Could you tell us how it works in Scotland, what sort of resources are applied in the Scottish context to deal with economic crime, what we can learn from the Scottish experience and vice versa, and how much co-operation is going on in terms of joint working, learning and addressing some of these issues?

**Patrick Campbell:** No problem at all. We have our own economic crime plan in Scotland, which has been pulled together by ourselves, the Crown Office and Procurator Fiscal Service and the Scottish Government. It broadly reflects the UK economic crime plan, and the main themes and priorities around that.



## HOUSE OF COMMONS

The model in Scotland regarding resources is probably twofold. Where I am now, the Scottish crime campus, is located just outside Glasgow. We have 27 law enforcement agencies all in one location, all targeting serious and organised crime. In this area, we have our Economic Crime and Financial Investigation Unit, which is about 150,000 officers who are targeting SOC-related, high-level fraud.

Our model is different from down south in England and Wales. We basically are a national force here. A national force brings obvious advantages in that respect. We also have frontline responders; 17,000 officers, who are that frontline, are trained up at the Scottish Police College in respect of fraud investigation, so we have that frontline response in respect of all investigations.

Regarding our interaction with the rest of the UK, we link very closely with Graeme and the team. We sit on a number of his boards, and we sit on all the various National Police Chiefs Council forums in respect of that fraud targeting environment.

**Rushanara Ali:** I think my time is up, but thank you very much for your responses.

Q48 **Anthony Browne:** I should declare an interest: as chief executive of the British Bankers' Association, I was responsible for the banking industry's battle against financial crime for five years, and co-chaired the Government's serious and organised crime financial fraud taskforce. My questions are about the suspicious activity reports regime, which I recommended five years ago should be seriously reformed. I see that the Financial Action Task Force made a similar recommendation to an international group of Governments two years ago. The Law Society said the same. I think everyone agrees that it needs reforming, but it has not been reformed very much.

My questions are really aimed at Graeme Biggar. You mentioned in response to an earlier question some of the problems in terms of the volume of SARs reports—three quarters of a million this year, you are expecting. Do you agree that it needs reforming, and what reforms would you like to see?

**Graeme Biggar:** There are two chunks to the answer. We are embarked at the moment on a fairly major reform of SARs, to increase the number of people we have on it, do better analysis on it, share more information with law enforcement and help them to use it, and give better feedback to reporters. That is really crucial. That will really help.

Part of it is that, for example, 80% of the increase in the defence against money laundering reports that you will recall from your time, which are the ones that drive the most work in the system, came from challenger banks and FinTech. It is them getting used to the system. It is them being under a slightly different legal framework. There is work that we can do with them that will reduce the number and make the system more manageable. If we do that, I think that will make an enormous difference to how effective the system is.



The second chunk of answer to your question is a more fundamental reform to see whether the suspicious activity reporting system is suitable at all. I am broadly in favour of what we have at the moment. With better data analytics and better feedback to reporters, we can make this system work well. I agree that the financial sector—I am sure you will have done this in your time—has argued that we should focus a little bit more on the high-harm SARs, and not the mass volume of very low-level ones. I think there is a bit more that could be done there, but I don't think that is a very radical reform. Then we could have a system that works really quite effectively.

**Q49 Anthony Browne:** Do you think the volume of reports is a problem? Three quarters of a million is obviously absolutely huge, and I know the concern from the industry is that they are required to flood you with so much information that you could not really make use of it, and you would not see the wood for the trees.

**Graeme Biggar:** That is why we need really good data analytic capabilities. It is why I would be in favour of changing the thresholds—or, at least, the amount of risk that people can take around what they send in.

It is also the banks' choice about what they send in. There is considerable leeway in the legislation, and by and large they take a fairly risk-averse approach and are quite cautious, so if they are in any doubt, they will send us material. In many cases, they do not actually have to.

**Q50 Anthony Browne:** Are you suggesting that they should send you less material?

**Graeme Biggar:** Yes. The ones who are genuinely pondering and thinking, "Is this really necessary?" at the very low levels, yes, they could.

**Q51 Anthony Browne:** I think that will be a relief to a lot of banks. You mentioned in your first reply that you are bringing more people into SARs. Are you talking about different professional sectors, such as lawyers, estate agents and accountants?

**Graeme Biggar:** For last year, we had 573,000 SARs, and 462,000 of them came from banks or building societies—the vast majority. But you are quite right that other sectors are under the money laundering regulations as well. FinTech and challenger banks provided 59,000; money service businesses, 17,000; gambling, 5,000; accountants, 5,000; lawyers, 3,000; and then there are much smaller numbers for estate agents, high-value dealers, and trust and company service providers. It is really important that we get the right type of SARs from those organisations. You would expect many fewer, because of course banks are dealing with massive volumes of transactions, so they will inevitably pump out a lot of SARs. Lawyers will be much fewer, so the figures should not in any way be the same.

We are working hard with all those sectors to try to get to the right number, and the supervisors as well. OPBAS was fairly recently set up



## HOUSE OF COMMONS

within the FCA, and we are working with it—it is the supervisor of 22 of the sectors—to provide guidance to the legal and accountancy sectors on what a good SAR looks like, when you should put one in, and when you shouldn't. We are also working with HMRC, the Gambling Commission and the FCA—the other main supervisors—on how we share SARs with them and how they can use SARs to better assess the extent to which the sectors they are regulating are doing the right things under the money laundering regulations.

**Q52 Anthony Browne:** I remember attending a meeting around 2015 or 2016 with the then Home Secretary, Theresa May, and the heads of other sectors, such as lawyers and accountants, about reforming the SARs regime, and there was a real lack of clarity from the other sectors about what they were meant to be reporting and what burden there was on them.

**Graeme Biggar:** We are working really hard on that. Obviously, if you are one of the five or six main retail banks, you could have massive teams on this. The legal sector is obviously thousands and thousands of companies, as is the accountancy sector, so it is clearly harder for us and them to make sure that all the right people know what they need to do. We are in engagements, meetings and workshops two or three times a week, not so much with the banks—we have routine engagements with them—but with legal, accountancy, auction houses and the like, to try to explain the SARs regime to them and educate them about it, their responsibilities and what looks like a good SAR to us. That engagement and feedback is something we are really pushing hard on.

**Q53 Anthony Browne:** Do you think more could be done to flag up to you those SARs that are intelligence-led? As you said, for the banks, it is an industrial process, and they will submit thousands a day, often for potentially quite small infractions, in a quasi-automated process, but there will be some SARs in banks, law firms and accountants that will be quite intelligence-led, and there will be strong suspicion that something unusual is going on. Is there enough information for you to distinguish between those that are really significant and those that are more background noise?

**Graeme Biggar:** There is something that could be done to make that better. You are absolutely right that we tend to get individual SARs. It is possible to put in a super SAR, as they call it, where you join up lots of activity. We get those occasionally, and they are more powerful. What does not happen very much at the moment is banks sharing information on something they are looking at for which they do not think they have yet met the legal threshold of suspicion, but which they are concerned about. If they did that more often, they would be able to pull together much more substantial intelligence reports for us. We are now working with them on how to do that within the current legal framework, and on what further legal changes might be necessary to enable more of that to happen.

**Q54 Anthony Browne:** To make it easier for them to share information



between the banks?

**Graeme Biggar:** Yes. We are working with them first on providing more super SARs where they have done the analysis—we have had some really good example of that from certain banks—and secondly absolutely on sharing between banks, or indeed insurance firms. We have had some really good discussions with the insurance industry about how to spot investment frauds happening across—

Q55 **Anthony Browne:** What is the hurdle to that? Again, this has been discussed for many years. There are obviously concerns about customer privacy—concerns that banks have not reached the threshold of suspicion to give them the legal protection for sharing data with each other. What is the actual barrier to changing the law to reduce that threshold?

**Graeme Biggar:** That is something the Home Office is looking at right now. It is exactly as you say: banks are allowed to share information with each other if they have reached suspicion, as defined, but not before. Their legal teams are very careful about where the threshold is for that. Along with the banks, we think there is a case for changing the law to allow them to share with each other information that is below that threshold.

Q56 **Anthony Browne:** You would support that, would you?

**Graeme Biggar:** We would.

Q57 **Anthony Browne:** You mentioned the defence against money laundering SARs regime and that particular aspect of it. How effective is that?

**Graeme Biggar:** It is mixed in effectiveness. It is the primary means through which we have used SARs to deny assets from suspected criminals. The vast majority of those figures I mentioned earlier—two years ago, 50 million; the year before last, 130 million; last year, 170 million—come from defence against money laundering SARs, which is really important. Just for the audience, that is when we are informed about a transaction before it takes place and the bank pauses before enacting it, to give us the chance to come in with concerns. It is not effective, in that the numbers have gone up so enormously.

We have seven working days to come back with an answer, having consulted with any law enforcement organisation that might be relevant. That is not much time. The volumes have gone up significantly, with 62,000 last year. We really need to address that. That is the particular bit around FinTech and challenger banks that I was referring to, because 80% of the increase has come just from those. That is about their KYC—know your customer—processes, but it is also about how the law applies to them, which is in a slightly different way from the main banks. I know that the Treasury and Home Office are looking at that. I think it came up in the Financial Services Bill before Christmas.

Q58 **Anthony Browne:** I am running out of time, but I want to ask one last question. You mention FinTech and challenger banks. Do you think that this new sector is doing enough on financial crime? It is often portrayed

that criminals and fraudsters go to some of the less mainstream financial services providers because it will be easier for them to operate without getting detected.

**Graeme Biggar:** It varies. There are some really brilliant advantages that challenger banks bring, and they are implementing new systems with some really impressive KYC technologies in place. At the same time, some of them seem to have business models—this may not be fair—where they do the KYC after they have onboarded a customer, and then when they have done their checks and recognised that there may be more risk there than they were expecting, they debank them. That poses problems for us, because it throws a whole lot of data at us that we would not need. I think the position is mixed.

**Anthony Browne:** I would love to ask more questions, but I am out of time. Thank you very much.

Q59 **Chair:** I will come to Alison in a sec, but may I just ask one quick question, with a very short answer, Graeme? On the three quarters of a million SARs, you have said that you would rather not receive some of them. What proportion of that three quarters of a million do you think are not very valuable to you?

**Graeme Biggar:** I am not sure I can give you a reliable figure on that.

Q60 **Chair:** Best guess?

**Graeme Biggar:** Between a 10th and a third.

**Chair:** A significant amount, then.

Q61 **Alison Thewliss:** I have some questions around the role of professional bodies, and I will come to Graeme first and bring in Angela and Patrick afterwards. Are the bodies in accountancy, legal, tax and other professions doing enough to prevent economic crime, outside the SARs regime, which has already been spoken of?

**Graeme Biggar:** As Angela said, everyone can always do more. What the legal and accountancy sectors can do is less obvious than it is for the banks; it is less easy for them, and of course it is a less homogeneous sector. However, we absolutely do see corrupt lawyers and accountants on the fringes of organised crime groups. That is not to demean the whole sector, of course—that would be ridiculous—but it puts quite an important role on the regulators and supervisors of those sectors to try to ensure that the right things are happening across the system.

We thought the establishment of OPBAS in the FCA—the Office of Professional Body Anti-Money Laundering Supervisors—was really important. They are doing an important job and have made some great progress. I think in their first annual report they observed that about one in 10 of the supervisors were ensuring that their supervision was driven by money laundering risks, and it is now the reverse—about nine in 10 are. Their activity has definitely made a difference, but it is still a start on quite a long journey. Some 40% of the supervisors have still not taken an



## HOUSE OF COMMONS

enforcement action against lawyers or accountancies that they are responsible for, and 40% of the supervisors are not working with us and OPBAS in information and intelligence sharing, so there is definitely more that can be done in that area.<sup>1</sup>

**Q62 Alison Thewliss:** Are there particular improvements that you would like to see in the OPBAS regime?

**Graeme Biggar:** OPBAS need to carry on. They are doing a very good job. They will, I am sure, want to get firmer and more assertive with the supervisors that they are supervising, and through them with the firms underneath, having given due warning, but 40% of supervisors not having taken enforcement action does not feel right, so they need to push harder on that. I think there will be a question for Government—it is probably not immediate—about whether a system that has 22 supervisors for the legal and accountancy sector can be right. We should give OPBAS a really good opportunity to show that this can work, but there will be a question about whether it does.

Those are the legal and accountancy sectors. The other key bits of the money laundering sector are supervised by FCA, HMRC and the Gambling Commission, but there is a lot under HMRC's responsibilities. They are the supervisory responsibilities that matter to money service businesses and trust and company service providers. HMRC are working harder on that, but they need to keep at it. They have made good progress on money service businesses, but we have more to do with them and with the Treasury on trust and company service providers—the people you can go to to set up a company in the UK.

**Q63 Alison Thewliss:** I will ask a wee bit more later about Companies House and setting things up. A number of professional bodies have suggested to us that a root cause of economic crime lies with the participants in sectors such as accountancy, tax advice and company valuation who are not members of any professional body and are outside those regulatory regimes, and therefore fall under HMRC in terms of discharging their anti-money laundering role. You have hinted that perhaps HMRC have more to do. How effective have they been in that role?

**Graeme Biggar:** You commented on that in your last report. It has not previously been core to their business. They have definitely upped their game; I know they have been working hard on it, and we have been working with them. They have increased the fees they charge, which has

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<sup>1</sup> Note by witness and correction. It was incorrect to say that 40% of supervisors are not working with us [NECC] and OPBAS in information and intelligence sharing. As the 2020 OPBAS annual report shows, 40% of Professional Body Supervisors were not then members of the *certain formal frameworks* that exist for information and intelligence sharing, such as the Shared Intelligence Service or the Financial Crime Information Network. OPBAS and the NECC would like more of the supervisors to join these or other suitable mechanisms. However, all of the Professional Body Supervisors are already sharing *some* information and intelligence through their membership of two Intelligence Sharing Expert Working Groups (one for legal, one for accountancy) that OPBAS and the NECC set up in 2018/19.



given them more budget to do this work. As I was implying a second ago, and I am sure they would agree, they have made more progress on money service businesses than they have on trust and company service providers. Trust and company service providers can take many forms, but the ones that tend to be more high-risk are those that do not fit under another body and are therefore supervised by HMRC. We see them crop up repeatedly in our investigations, including the laundromats that I mentioned near the start of this evidence session, yet the numbers of SARs that we have had from trust and company service providers last year was 31. We measure all the other numbers in thousands, but there were literally 31 SARs from trust and company service providers.

About 100 trust and company services providers create hundreds of thousands of new companies each year and are associated with a very small number of addresses in the country. All those things can have legitimate purposes, but that is a real challenge and an area where, because of the risks, we need to focus more—not the same, and definitely not less—supervisory effort and criminal investigation effort.

**Q64 Alison Thewliss:** I should include that I have heard concerns about Scottish limited partnerships and the way that they have been abused for those kinds of purposes and set up with limited transparency. Angela, what is your experience of the relationship with all those bodies in accountancy, legal tax and other professions? Are they doing enough from your point of view?

**Angela McLaren:** Graeme has given part of a response. The issue that I have at the moment—this sounds like I am repeating myself from earlier—is that I am very much still finding my feet in this new area. Graeme has covered it quite well from an England and Wales perspective. I do not know if Pat perhaps wants to come in. I have just transferred down from Police Scotland, but Pat might want to give an opinion on how it is working up in Scotland in terms of multi-agency tasking. From my experience in Scotland, the key to this is organisations working together. It is important that we recognise that there are professional enablers—by professional enablers I mean lawyers, accountants and so on—who work in organised crime groups and facilitate organised crime, of which money laundering is only one aspect. That does not mean that everybody in those industries is corrupt—far from it—but we have to accept that there are professionals working in this field and facilitating that type of activity.

Again, I apologise; I am very new in post. I am sure that I will appear before the Committee again at some point, and will be able to give you further information. This is maybe something that Pat will want to touch on, because, certainly with the crime campus, it is an area where we do quite a lot of activity.

**Q65 Alison Thewliss:** Thank you. Pat, I was going to ask about the co-operation between Police Scotland and the Law Society, ICAS, the Faculty of Advocates and OPBAS, and how that works from your perspective?



**Patrick Campbell:** It works really well, and as Angela just indicated about the crime campus, when we start any other operations, we have the ability to pull together 27 law enforcement partners in one building, from HMRC to the security industry and the National Crime Agency. Again, we have all the relevant individuals around the table at the commencement of any operations, so there is that crossover. With that comes the multi-agency tasking and delivery model that is also in place in Scotland, which we can thereafter—*[Inaudible]*—around that.

You highlighted the Law Society in your opening remarks. I was just thinking about the excellent relationship that we have with the Law Society, and the confidential route that we have in there. We have come across some organised crime operations in respect of solicitors or accountants, and again, we have that route into those regulatory bodies.

Q66 **Alison Thewliss:** That should be useful. Do you feel that you get the co-operation that you require from HMRC when you are looking at people who are outside those organisations?

**Patrick Campbell:** HMRC has roughly 60 or 70 staff in the crime campus, so a really large contingent within that one central unit in Scotland. We have an excellent relationship with HMRC, and as I say, we bring them in at a very early stage in respect of some of the opportunities that they can explore for us.

**Alison Thewliss:** Thank you very much—I will leave it at that.

Q67 **Felicity Buchan:** Good afternoon, everyone. My questions are on Action Fraud, so the majority of them will be to the City of London police and Angela. I heard you say that you are new in the role, so I appreciate that. Fraud is clearly a very big issue. In his report, Sir Craig Mackey said that one out of every three crimes now is fraud, but only 2% of frauds are detected. The rate at which people are reporting fraud is also very low. I saw in the England crime survey that only 14% of fraud cases are reported to Action Fraud. Why do you think that is the case, Angela?

**Angela McLaren:** Having read through the report that you reference, both the ONS and the Craig Mackey report, there are a few things that I would bring up. I will come to your direct question in a minute, but if we look at the Craig Mackey report, yes, there have been a number of recommendations. As I mentioned earlier, the report was commissioned by the City of London Corporation with a view to how we could improve the service that we are providing.

Within the Mackey report there were three key findings that, overall, Action Fraud does have the potential to serve policing well in the UK. That was overall, but within that there was a recognition that the operating system that we have at the moment is not fully functional, that resourcing levels need to keep pace with the increased reporting, and that fraud needs to be prioritised across forces in England and Wales. We have touched on some of those elements this afternoon, so my reading is that we have the potential to have the right system, but the system needs to be invested in and we need to make sure that as well as taking the reports



in, we manage them appropriately and the right investigation takes place when the report comes out the other end.

In terms of your specific question around the volumes that go into Action Fraud and under-reporting, we know that that is partly due to confidence in Action Fraud and confidence in policing. That has been stated, but there are other reasons that sit behind that. One of them is shame—people do not want to come forward and report crime. Obviously, regardless of whether it is fraud or any crime type, I would always encourage people to come forward and report to us; we can help if people do so. Some of the other reasons that were provided were the fact that they felt that they were reporting it to their bank, so they did not feel that they needed to report it to Action Fraud. There are a number of reasons for under-reporting; it is a problem in all crime types, but obviously we are focusing on fraud today, and they are the kinds of reasons that we are given.

In terms of moving that forward, we have taken the Craig Mackey report very seriously. We have put, as I have alluded to already, a number of improvements in place already, including improvements to the front end of the service and what the public see when they report in to try and make it more user-friendly for people.

The other area that we have put a lot of focus on is the resourcing within the crime centre. Within the Action Fraud centre we have increased to two centres instead of one. We have also invested in victim care to make sure that every person who reports into Action Fraud gets some form of victim support, regardless of whether that report results in a dissemination. Regardless of what happens to your report when you report into Action Fraud, you will get an element of victim care, and that is really important. We have touched on prevention before, but part of that victim care is about trying to avoid repeat victimisation and to make sure people do not become the victim of fraud again, and we are seeing some successes in that area. I hope that answers your question.

**Q68 Felicity Buchan:** Let me ask you a simple holistic question. You mentioned the observations in the Mackey report about resourcing levels, having a better and more stable IT platform, and prioritisation of local forces, and you were working on this. How far along the road are you? If it is 100% to get everything working as well as it can—it can never work perfectly—where are you at the moment relative to where you were when that *Times* exposé came out?

**Angela McLaren:** I think we have made good progress in some areas, and we have a lot of progress to make in others. I will expand on that. We still need a new operating system. We are in the process of outlining our business case at the moment for bringing that new operating system in. That is at the early stages. In terms of that recommendation, there is still a lot to be done. We have put some tactical improvements in place, but that does not replace the whole system.

In terms of the resourcing levels, we have increased the resourcing levels within Action Fraud, but, as I said earlier, we have to manage what comes



## HOUSE OF COMMONS

out of Action Fraud. We are now seeing uplifts in the ROCUs, which will help moving forward.

The final part of Sir Craig Mackey's report was about increasing the prioritisation within forces across England and Wales. That is very much work ongoing at the moment. We are looking for fraud to be more of a priority across all forces. We are doing that in a number of ways. We are engaging with the forces themselves. The City of London Corporation is also engaging with the police and crime commissioners. Indeed, our chairman has become the deputy lead, I believe, for fraud in the APCC space. Again, just trying to increase awareness across the country.

Coming into this role new, this is an area that I want to put a lot of focus on, in terms of raising awareness and engaging with our stakeholders. We have 15 recommendations and eight of them have been implemented, but there is a lot more to do. I do not know if it would be helpful to the Committee if we provided some written evidence about the Craig Mackey report, the way we see our current improvements, and the work that we still have to do. We would be happy to do that.

Finally, in response to the Craig Mackey report, the HMIC recommendations and other observations, we have an implementation plan for the force, which it might be helpful for the Committee to consider as part of my other submission.

**Felicity Buchan:** I will defer to the Chair on that.

**Chair:** Yes please, Angela. It would be very helpful if you could write in with what you have just set out. Thank you.

Q69 **Felicity Buchan:** Going back to the Mackey report, he alluded to the fact that there was perhaps a difference of opinion within the City of London police as to what it needed within Action Fraud. Did it need more automation of procedures? Did it need more staff? Do you think there is a consensus on resourcing and what is needed?

**Angela McLaren:** Yes, I think we have definitely moved on from there. The process of pulling together the outline business case for the next system has assisted with that. It needs a combination of all of the above. We need more resources and to be able to have the right resources to manage the demands coming in, but there is an absolute need for the improved technology. Graeme has touched on it with the SARs situation as well.

The volume of information that we are managing requires some form of automation; that is the only way we are going to get through the volume of data that we are discussing here. At the moment, a lot of the time we are having to revert to manual processes, which are time-consuming, so we need all of the above. We have a better understanding—certainly, since the last Committee meeting, we have a much better understanding—of what we require, but there is definitely more that we need to do. Hopefully, that will progress over the next 12 months.



**Q70 Felicity Buchan:** Let me ask you one final question: do you think your communication processes with the public are sufficient to give them confidence in Action Fraud?

**Angela McLaren:** I think they are improving. Having been on the outside looking in, and now being on the inside looking out, I think we have been on a difficult journey in the City of London police in terms of Action Fraud. As a consequence of that, there is always going to be more that we need to do in terms of raising awareness and understanding.

In the surveys that we carry out with people who have engaged with Action Fraud, we see positive returns. The people who engage with Action Fraud are happy with the service that's provided. The number of complaints that we receive about Action Fraud are very low, but I accept that that is only surveying the people who have used the service, and not those who have tried to use the service and did not. There is more to be done, but that is something of which we are acutely aware.

**Q71 Felicity Buchan:** Let me ask Pat one final question. My understanding is that Police Scotland does not participate in Action Fraud. Is that right? Can you explain why?

**Patrick Campbell:** No problem at all. We do not participate in Action Fraud, although in 2019, we were approached by it to become part of a network. There are probably two main reasons behind that. The first is that the funding stream for Action Fraud does not include Scotland. We are not a Home Office-funded force, so we did not get the benefit of that funding stream coming into Police Scotland.

Secondly, the most important thing is the victim experience or the customer experience, and the model that we have in place just now is about the ability to triage—to deal with calls coming in from the public on fraud and thereafter to look at the most appropriate response. We did not believe that Action Fraud gave us a more enhanced model than what we have in place just now.

We still continue to work very closely with Action Fraud. Any Scottish-based victims who contact Action Fraud are simply signposted to Police Scotland, and thereafter we deal with the call as we would deal with any call coming in from a member of the public.

**Q72 Felicity Buchan:** Would what you have heard about how Action Fraud is improving lead you to change your view, or are you happy with how you do it yourself?

**Patrick Campbell:** I think we are open to coming back round the table in respect of this. As I say, it was really about the whole victim or customer experience and the immediate engagement that we have with the model that we have in place just now. Again, we will continue to engage with the City of London around Action Fraud moving forward.

**Felicity Buchan:** Thank you.

**Q73 Siobhain McDonagh:** I would like to look at some issues relating to



corporate liability for economic crime, which past Treasury Committees had some very strong things to say about. This is to anybody on the panel who would like to answer. Could you please explain to the Committee the problems faced in bringing prosecutions against corporations for economic crime?

**Graeme Biggar:** I can have a crack at that, and the others can have a go if they want. At the moment, we have to demonstrate the controlling mind—the directing mind—behind a fraud, and that must be the company as a whole. That has always felt a fairly high threshold. In a recent case that the SFO took against Barclays, the judgment emphasised quite how high a threshold that is. We need to be able to show that it is the board and the executives together that have taken a position. With governance of organisations as complex as it is—decisions are delegated and never quite clear—that is a really high threshold, and the SFO were not able to meet it in that particular case.

It is an issue that law enforcement and particularly the SFO have pushed for some time. We saw with the Bribery Act 2010 the implementation of a failure to prevent offence, in the same way as for tax evasion. That feels like it has changed the way that boards and companies think about how they deal with and prevent bribery. We can absolutely see value in that being extended in roughly the same way to cover fraud and/or money laundering, but particularly fraud.

There is something not massively dissimilar to that with the senior managers regime that the FCA police in the financial sector. If the Government was going to introduce corporate criminal liability or a failure to prevent offence for fraud, it would need to work out how the two docked or whether one replaced the other, but it seems an attractive option to me.

In process terms, obviously this has been looked at quite a lot by the Government. There was a call for evidence by the MOJ in 2017, which I am sure you are well aware of. It has now been put to the Law Commission to do some analysis and come up with some options. They started that work in November, I think—certainly just before Christmas—with a view to reporting by the end 2021 with some options. We are really looking forward to seeing how that develops. I have a broadly open mind, but my starting premise from what I have seen is that there would be value in introducing a provision such as that—a failure to prevent offence for fraud.

Q74 **Siobhain McDonagh:** You have anticipated my second question, but perhaps Pat or Angela have something to say. Would creating corporate liability for economic crime be a helpful deterrent to offences such as money laundering?

**Angela McLaren:** I agree with what Graeme said. Yes, I think it would. Anything that can discourage behaviours in the first place is to be welcomed. Graeme touched on bribery and corruption elements with the Bribery Act. That was prior to my time in the City of London, but I know



## HOUSE OF COMMONS

that when that was brought in, we saw a real demand for training on bribery and corruption across the City of London. It is only to be welcomed. As Graeme highlighted already, we welcome the outcome of the Law Commission review.

**Q75 Siobhain McDonagh:** Okay. Does sufficient guidance exist to explain the responsibility of company boards in preventing fraud and money laundering?

**Graeme Biggar:** That is a very good question, which I am not sure I have the most informed answer to. On money laundering, the FCA provides a lot of guidance. That is something it considers part of its core responsibility. I think that would come through the money laundering regulations and the senior managers regime. I think it is a fair challenge on fraud. There is not the same legal imperative for it to do that. That is treated a bit differently, broadly as a cost of doing business, be it in the public or private sector. That cost is too large at the moment, but it is treated as a cost of doing business, whereas money laundering is a compliance issue, where the FCA will hold you to account for not doing that and potentially fine you significantly. I would like to take away that question about whether there is enough guidance on fraud and the responsibilities of boards.

**Q76 Siobhain McDonagh:** As we talked about the Law Commission looking at this area of law, do you hope to be able to work with them on it?

**Graeme Biggar:** Absolutely. We will feed into them with our views.

**Q77 Siobhain McDonagh:** What do you hope will come out of it?

**Graeme Biggar:** I am trying to remain open. My starting premise, as I said, was that I find the idea of an offence such as that attractive. I have seen the challenges the FSO has had. So, I am attracted to it. There are different views about it. The senior managers regime in the financial sector is relatively recent. There will be an argument that we should let that play out and see whether it has a sufficient effect.

One thing worth recognising in all this is that we can default to talking about the financial sector and the banks an awful lot. Other sectors matter just as much: telecoms, insurance, the tech sector and social media companies. It is probably in some of those sectors that we would see a bigger change in behaviour, as a result of such an offence.

**Q78 Siobhain McDonagh:** Thank you. Pat, has this been a problem in Scottish law as well?

**Patrick Campbell:** Not that we are fully aware of or exposed to as such. We have common-law powers in Scotland to refer back to. But we have not had that same experience that Graeme is highlighting just now.

**Siobhain McDonagh:** Thank you.

**Q79 Mr Baker:** Since I will ask about technology, I refer to my declared interest in Glint Pay. Before I get on to technology, Mr Biggar, can I take



you back to something you said earlier? You put in a bid for £80 million a year. We have previously talked about the small dent that is making in fraud. In the past, I have advocated better, higher levels of resourcing for fighting fraud. How much money would you actually need to make a serious dent in fraud in the United Kingdom?

**Graeme Biggar:** This is going to sound very woolly, I am afraid, but it is entirely scalable. We are making in-roads at the moment with the investments—I have not mentioned before, but I should do—that the Government have already made into illicit finance. When the NECC was set up, it was not just the NECC, but a series of other capabilities. That was about £48 million a year, and the Government committed to putting in an extra £63 million in the last spending review. So we have got a lot of things in train that will make things better.

The £80 million—I will be kicking myself if I have got that figure wrong—would have paid for more investigative capability in the NCA and City, more intelligence capability here, and then stronger regional teams. Our collective pitch with policing was that we are never going to be able to afford, and it probably isn't effective, to build up really strong fraud teams in 43 local forces, but we could have a go at doing that around the ROCUs—regional organised crime units. So it was to build up teams there. The amount of money I was talking about would have put teams in there, but they would still be relatively small. We could obviously take on more with more money. But that is absolutely not answering your question—apologies for that. I'm not sure I have a figure.

**Q80 Mr Baker:** That in itself was a very interesting answer, because I, for one, would like a major dent made in fraud in this country. I have had constituents with dreadful stories. They have been victims of terrible frauds in which they have lost a lot of money—life savings. I don't think we should ask you today to write to us with it, but I, for one, would very much like to know how much resource we really need to put into policing in order to seriously deter criminals through the knowledge that they are highly likely to be caught—and not only how much resource you need, but how quickly you can scale up to it. Perhaps I could just leave that thought with all three of you. I think it is one of the fundamental duties of the state to deal with that.

Let me turn now to social media and technology, because it does seem that social media and the search engines in particular—there is really only one huge one—make a lot of revenue from hosting advertisements that might well be for fraudulent schemes. Perhaps I will ask Mr Campbell this. Do you think that Google and other platforms ought to be doing more to deter fraudulent advertisements?

**Patrick Campbell:** They can always do more; there is absolutely no doubt about that. Angie touched on it recently. Within Scotland and within Police Scotland, we have realised that there is a significant gap in our capability and capacity in respect of cyber-enabled or cyber-dependent fraud or economic crime. We have recently launched the national cyber strategy and our implementation plan around that. That is going to require



## HOUSE OF COMMONS

a significant financial injection, in line with technology and also with resources. We estimate in the region of 260 resources over the next three years specifically sit within that cyber arena, to get us fit for purpose. But in answer to your question, there is no doubt that these multinational organisations can certainly do more.

**Q81 Mr Baker:** Ms McLaren, do you think that there is more that they could be doing, and how do you find them to work with?

**Angela McLaren:** As Pat said, there is always going to be more that can be done. I think there are a couple of areas I would touch on. If we look at the types of fraud that are most emergent at the moment, the vast majority of them will rely on some form of social media platform. That applies whether it's romance fraud, investment fraud or online shopping. Absolutely: the consistent theme through all these frauds is, obviously, the use of social networking and social media sites. So yes, there is much more that can be done. I know that a feature of previous discussions in the Committee has been just the scale of social media within the frauds that are taking place.

We have some statistics here, which may or may not be useful. In 2019-20, social media featured in more than 39,000 crime reports to Action Fraud, with losses of over £120 million, so the scale is significant. There's no two ways about that. Graeme has touched on taking down sites. How many sites can we take down? We do take down many sites, in various, different areas, but one area that would be worth touching on would be the online harms Bill. We did put our response in about the online harms Bill and we did seek that fraud be included in that. We can take down sites all day long, but for every site we take down, more and more sites will replace it. So I think it is important that we start to design in some activity that will help us to take forward the online fight.

I know Graeme will have comments as well, but that is your social media sites, your telecommunications sites. There is absolutely more that can be done in that technology space. As I say, for every site we take down, more sites will come in, and if we go back to the victim within all this, they are absolutely preying on people's vulnerabilities, whether that is loneliness or concerns about their future financial security. These are not just sites that cause no harm; these are absolutely focused on really vulnerable people, or people who are vulnerable at a point in time. So yes, in answer to your question, more can be done, and we think that the online harms Bill would be an appropriate way to take that forward.

**Q82 Mr Baker:** That is very good. Have Ministers given you any indication of how they are likely to react to your submission in relation to the Bill?

**Angela McLaren:** I don't think we have had an official response yet, to my knowledge, but that is something that we will be looking for.

**Graeme Biggar:** I can clarify on that point. It is not included in the current Bill.

**Q83 Mr Baker:** It is not in the Bill, no. I was wondering whether you had



received any indication about how seriously they would—

**Graeme Biggar:** Our requests were prior to the Bill being published, as it was being developed.

Q84 **Mr Baker:** I see. So it is perhaps something that we will come back to. Perhaps some of us might take a view on that a bit later. We are in a position, then, as I understand it, where the FCA are paying Google to highlight warnings to consumers, but Google and others, presumably—I don't wish to single out Google—are making a lot of revenue from advertisements. Do you think more should be done to hold these platforms to account for what they publish?

**Graeme Biggar:** Yes, absolutely. There are three bits of the tech industry that matter here, I think. There is web domain hosting, and there is the search, as you have been talking about, and then social media companies as well, as Angela spoke about. So they are hosted somewhere: Google, typically, Bing—other providers are available—provide the results. But also lots of scams are spread on Facebook, Instagram and WhatsApp as well. So those are the three categories. You are absolutely right. Google and other search providers charge the FCA to put up warnings against advertisements that they are being paid to put up, as well, from fraudsters. That must change. There is not a sense of “Know your customer” in the tech industry, in the search engines or web host providers, in the same way there is in banks. It will never be quite to that extent, but it has to change. They should know who they are dealing with. They should remove fraudulent sites. They should report to law enforcement on the fraudulent sites. They should support us and the FCA in our efforts to go after them—so actually provide information on who is paying for these sites. Because they don't actually know their customer, that is often a dead end. If they did, they could do that. They need to do more to communicate to members of the public about the risks involved.

**Mr Baker:** Okay, very good. We are really running out of time. I wanted to ask you a bit more about the role of technology in solving some of these problems, but I think that is probably too big a subject, and I shall therefore draw stumps there. Thank you very much.

**Chair:** Thanks very much, Steve. Finally, back to Alison, please.

Q85 **Alison Thewliss:** I have some questions around Companies House, as I hinted at earlier. Could I ask Graeme first of all, do you consider £12 to incorporate a company too low a level, and is this a hindrance in the fight against economic crime?

**Graeme Biggar:** It is very low, and you can actually do it for less, so some of the company formation agents, as a kind of loss-leader tactic, will charge you less to set up a company. It feels a very small amount of money. It is also done incredibly quickly, with the vast majority of incorporations turned around within 24 hours. The Government is committed to still making it easy, and I have no objection to that, but we do need to weed out the crime and the criminals from this. The proposals they have come up with in the consultation response are strong:



## HOUSE OF COMMONS

verification of the identities of the directors and the people of significant control; greater powers to the registrar to check; making sure that any agents who are doing it for others are supervised in themselves—that needs to be really strong—and a harder line on dormant accounts. They are all really important proposals.

**Q86 Alison Thewliss:** Do the verification proposals go as far as saying, as if you were getting a passport, they have to go through the Government Verify scheme, or is it a different mechanism, from your understanding?

**Graeme Biggar:** I think that is still being developed. I have not seen a sense that it is going to be as strong as that. There will be a single-user ID that people will have. Many people are directors of multiple companies. That will help in being able to spot people setting up multiple companies, which is fine, but then using them to phoenix illegitimate companies. That could really help.

We asked for a number of things that are not in the proposals. I am still worried about the extent to which thousands of companies can be registered at the same address. We cannot get behind that to find out where they are from, and there will be limited change around that. There is work around trying to unpick circular ownership structures within the Companies House reform. That will really help. There are various things that we would like a bit more of, but I think the main thing is just to see progress made on the proposals that have been put forward—the money to make it happen, and the legislation to enable it.

**Q87 Alison Thewliss:** Earlier you mentioned the £20 million that was announced in the spending review. Do you feel that is sufficient to deal with these things—to crack down on the people who need to be cracked down on, and to allow the system to function effectively?

**Graeme Biggar:** You would have to ask Companies House about that. I am not close enough to provide an informed answer. It is good, though; I am very pleased with that. I am also very pleased with the co-operation that we have had from Companies House, which is really important in all of this. They have been unempowered, legally not able to do things and under-resourced. With what they have, they have done a great job. We have done some really good work with them over the last year on looking at frauds. They have helped us with looking at frauds against bounce back loans, for example. They have helped us with looking at potential fraudulent contractors providing the NHS with equipment during covid. We are having more interaction with them between both the NCA and law enforcement in general, which has been helpful.

**Q88 Alison Thewliss:** It had been suggested, prior to the announcements on Companies House reform, that the way in which companies were registered actually gave some assistance to law enforcement agencies in trying to track people down. Is there any veracity to that claim?

**Graeme Biggar:** I have not heard that, and I am not quite sure what it is getting at. What we do know is that companies are fundamental to a lot of organised crime. If we can get to the beneficial owner of that—obviously,



## HOUSE OF COMMONS

legislation over the last few years has made that better—we can make much quicker progress. You mentioned SLPs earlier. The introduction of beneficial ownership lagged with SLPs, but when it was introduced for SLPs in 2017, you saw the number of new SLPs being set up the following year drop by 85% or something. It just shows how attractive it is to criminal to be able to set up a company and obfuscate their identities. The more we can do to get around that, the better.

**Q89 Alison Thewliss:** It is true that SLP registrations fell after that was brought in, but there was some suggestion that perhaps people were registering companies through different vehicles by using trusts, or through Northern Irish limited partnerships instead. Is there an issue that if you squash down on one part, it just rises up somewhere else?

**Graeme Biggar:** It does. They will obviously go where they can find a way of obfuscating either who they are or what they are doing. But we are getting there. There has obviously been the progress that parliamentarians have pushed on beneficial ownership in Crown dependencies and overseas territories. The US's introduction of the Corporate Transparency Act, as I mentioned earlier, will help. That was another big area where it can happen. One area in companies reform that we will need to look really closely at is the ability for company formation agents based overseas to set up companies with corporate directors, where you cannot get past that to the ultimate ownership. But that is something they are still looking at, and there is a consultation out at the moment on that. That is one that we will be pushing in quite strongly.

**Q90 Alison Thewliss:** One of the limitations of Companies House at the moment is that they will take information, but they do not do any enforcement action with that information. Taking Scottish limited partnerships as an example again, people who had not registered a person of significant control—there was no follow-up on that, there was no enforcement of that, and there were no fines handed out to people who failed to comply. Will that be brought in within the new scheme that is being proposed?

**Graeme Biggar:** Companies House is not one of the core NECC partners, so I am stretching slightly at the limit of my knowledge, but my understanding is that they have taken a number of enforcements—over 200—to prosecute people who have not provided the beneficial ownership and got a goodly number of convictions. I would expect that with the reform that is being planned—to have more people and better analytical capabilities, as well as more powers—they will do more of that in the future.

**Q91 Alison Thewliss:** The figure may well have changed since last time, but the person who was prosecuted was somebody who was trying to set the system up to expose it, rather than somebody who was doing it for other reasons.

At the moment, as you mentioned, there is no cap on the number of directorships that individuals can hold at any one time. A recent report highlighted that there were nearly 2,000 individuals holding offices in



more than 50 companies in 2017. Do you think that it would be useful to have a cap on the number of directorships that an individual can hold?

**Graeme Biggar:** We had suggested that and a number of people also suggested it in the consultation. I think the response that has come back is not to do that, but that being able to see that an individual has multiple directorships, which with the better digital identification and the single-user accounts you will be able to, will be a really good intelligence prompt to look into things.

A number of the recommendations that we made were not accepted, but you can see that there is still progress and sense in what is being suggested, so I am happy with that. I will not push that one further.

Q92 **Alison Thewliss:** I think that is probably the limit of questions that I had there. I don't know whether Patrick or Angela want to come in on any of these issues around enforcement or around how you track down people who perhaps have been up to no good.

**Patrick Campbell:** No, I think Graeme has covered everything, thanks.

**Graeme Biggar:** The only other point I would make on that is that it is partly about Companies House reform. It has also got to be the company formation agents. You have got to fix both at the same time.

Q93 **Alison Thewliss:** Have you any further ideas about how you might go after company formation agents? You mentioned that only 31 SARs came from more than 100 providers, which is really quite a shocking figure to me. Is there more that could be done to deal with that?

**Graeme Biggar:** Yes. We did an intelligence assessment last year—it is now just under a year ago—to look into trust and company service providers. We are developing a plan with HMRC and the Treasury to have both more supervision of, and more enforcement against, company formation agents. We are on it, but it is not the most developed of our plans. We have really got to do more work on that.

Q94 **Alison Thewliss:** My very last question is around the registration of overseas entities Bill and the proposals on property ownership. Is there an issue around trusts and property ownership that we also need to look at, in terms of money being moved around?

**Graeme Biggar:** Yes, and that applies both to the register of beneficial ownership, or ROBO, which will show the beneficial owner of property in the UK, and to the progress being made in the Crown dependencies and overseas territories to open up beneficial ownership of their registers, which are only on companies and not on trusts. That relates to your point earlier about whether criminals will just go somewhere else. Trusts is the next area, and that is where we would like to open up more beneficial ownership information, too.

**Alison Thewliss:** That is really useful. Thank you very much.

**Chair:** Alison, thank you very much. That brings us to the conclusion of



## HOUSE OF COMMONS

this session, so I thank our witnesses very much indeed for joining us. This has been a very useful initial discussion in our inquiry. It has shown, or set out, the sheer scale of the challenge here—the growth in economic crime, particularly in the new environment of the covid pandemic—and that it is proving to be one of those areas that is difficult to get on top of. Clearly, we have covered a number of strands in looking at this issue, such as resourcing, the importance of Companies House reform and the importance of prevention, as well as tracking these criminals down. We had a very important discussion about SARs clear-up rates, and we also discussed OPBAS, the online harms Bill and social media, and so on.

We have covered a lot of ground, and we thank you very much indeed for giving us a good start to our inquiry by setting the scene and the principal issues. Thank you very much indeed for appearing before us.