Joint Committee on the National Security Strategy

Oral evidence: Defending Democracy

Monday 8 September 2025

4.35 pm

Watch the meeting

Members present: Matt Western (The Chair); Dame Karen Bradley; Liam Byrne; Mr Tanmanjeet Singh Dhesi; Bill Esterson; Baroness Fall; Mike Martin; Lord Robathan; Lord Sarfraz; Lord Sedwill; Lord Tunnicliffe; Baroness Tyler of Enfield; Lord Watts; Sir Gavin Williamson.

Evidence Session No. 2 Heard in Public Questions 14 - 31

Witnesses

I: Peter Geoghegan, journalist, broadcaster and writer; Dr Susan Hawley, Executive Director, Spotlight on Corruption; Ian Taylor, Board Adviser, CryptoUK.

II: Vijay Rangarajan, Chief Executive, Electoral Commission; Jackie Killeen, Director of Electoral Administration and Regulation, Electoral Commission.

Examination of witnesses

Peter Geoghegan, Dr Susan Hawley and Ian Taylor.

Q14 **The Chair:** This afternoon we have the latest session on "Defending Democracy", looking specifically at political finance. I am delighted to be joined by our first three witnesses. We have two sessions planned, and the second session will be looking at the Electoral Commission. I start by asking each of our witnesses to very briefly introduce themselves, starting with Peter.

Peter Geoghegan: I am a writer, journalist and the author of *Democracy for Sale: Dark Money and Dirty Politics*. I run a newsletter of the same title, *Democracy for Sale*.

Dr Susan Hawley: I am the executive director of Spotlight on Corruption, a UK-based anti-corruption charity that monitors how the UK enforces and implements its anti-corruption laws and commitments.

Ian Taylor: Good afternoon. I thank the chairman and committee members for the invitation to give evidence today. I work in the crypto and blockchain sector in numerous capacities, mainly supporting the UK Government and other Governments to understand both the benefits and the issues of this technology. I am a board adviser to CryptoUK, which is a UK trade association with over 100 members from many different jurisdictions and with different products and services. I am also the chief operating officer at ht.digital, which is the world's largest crypto accounting and advisory firm.

The Chair: Thank you very much. We are going to start with a look at UK political finance. I welcome my colleague, Tan Dhesi.

Q15 **Mr Tanmanjeet Singh Dhesi:** Awareness about foreign money in UK politics has increased significantly in the past few years, and there have been efforts to address it. According to Electoral Commission surveys, public confidence in the political finance system has plummeted. Only 24% of people now believe that party funding is transparent. That is down from 41% in 2019. How would you characterise the problem nowadays, and which areas are you still most concerned about?

Peter Geoghegan: If you look across the piece, we still have a number of areas in the British political system where untransparent and anonymous funding can get into the political system. Some of this is around potential foreign funding. At *Democracy for Sale*, we have done some work where we found that more than £3 million had been given through UK-registered companies that are ultimately owned by people who do not appear to be able to vote in the UK or to donate otherwise. That is one area.

We have the issue of unincorporated associations, which have been identified by many bodies, including the Committee on Standards in Public Life, which identified them as a potential factor for what we call dark money in politics: anonymous funding going through unincorporated associations into British politics. Around 5% of political donations go through unincorporated associations.

From the last election, after 2023, we saw an increase in the threshold for political donations. For political donations that have been registered with the Electoral Commission, it is now £11,400, which is a very significant sum, particularly in the devolved Administrations. It is important to make that point as well.

We have also seen the rise of what we would call mega donors in British politics. In 2023, two-thirds of the £85 million in private donations came from just 19 individuals—19 people gave over £1 million. We have also seen a huge increase in the concentration of political wealth and the way that feeds into the political system.

All those different scenarios have created a situation in which I can understand why people have a feeling of a lack of confidence. We have a system in which people can give unlimited amounts of money. We have seen increasing incidences of political donations leading to influence—people can, in effect, buy influence in British politics. We have seen donors given contracts, most notoriously with the Covid PPE contracts. We have also seen a relationship between political donations and contracts. We have seen things such as political donors having privileged access to power. It has been shown beyond any reasonable doubt at this point that political donors get seats in the House of Lords, which is often seen by the public as a real area of corruption.

All these things together have created a situation in which people are losing faith in the transparency of the political system and have the impression—I think rightly so—that money can buy access.

Dr Susan Hawley: There are various measures in the public confidence survey that the Electoral Commission does which have really taken a downward turn. Another reason is around enforcement and the feeling that political parties or candidates who break the rules will not face any punishment. As Peter says, this is partly because there has been a lot of this in the news. It has become a very talked-about topic.

I want to mention foreign interference, because we have now had two reports from the Intelligence and Security Committee of Parliament, which has highlighted significant concerns with potential attempts at interference by Russia and China, particularly through party-political financing. There are quite strong estimates and there is good evidence for having concerns about that. The European Union Institute for Security Studies found that in 2024 there was foreign interference in 21 elections across Europe. The Alliance for Securing Democracy found China and Russia had spent $300 million to influence democratic processes in 33 countries between 2010 and 2020. So, people are increasingly aware that there are more stories.

There are different ways in which that influence is happening, whether it is through party funding or the increase in political disinformation. We are seeing stories about bribery—we have seen that in Moldova. At the moment, we have also seen an allegation, that will be going to the courts, about bribes paid by Russia to a former Reform MEP to make pro-Russian comments in the European Parliament. We have also seen kompromat, stealing of documents, and China's hacking of the Electoral Commission database, so the concern is real. But it is amazing that the Electoral Commission commands quite strong public confidence, even if people feel that the transparency and enforcement are weak.

Mr Tanmanjeet Singh Dhesi: I want to concentrate on what you just mentioned about state-backed political influence. What are the challenges around distinguishing between legitimate business donations and state-backed political influence operations?

Dr Susan Hawley: It is challenging. That is why need an infrastructure and specialist bodies to work together to do that. Were you referring in particular to corporate donations?

Mr Tanmanjeet Singh Dhesi: Yes.

Dr Susan Hawley: Obviously, we have now had the Government's new electoral strategy, and they have promised to bring forward a new Bill to tighten up some of the loopholes. Some of the things they are proposing in relation to companies are a good start, but they are probably not going to be enough to address the potential route—the corporate donation route—as a means by which hostile states and other foreign impermissible donors could make donations to political parties.

There are various ways of dealing with that. You could ban corporate donations altogether; that is what some countries do—Canada and France, for instance. That is quite difficult unless you also ban unincorporated association donations. You need to make sure it is a fair system.

Sir Gavin Williamson: Do you include unions as part of that definition?

Dr Susan Hawley: This is why it has always been problematic. If you are going to ban corporate donations, you are going to have to look very seriously at union donations as well. That is why politically it has always seemed more feasible to find a way to make sure that the corporate donation route cannot be a route through which foreign money can be funnelled into UK political parties. That is why having UK profits—net profits after tax that have come over two years—is really important. That is something that the Committee on Standards in Public Life has recommended. It is also why we might need to go further and look at whether you need the ultimate beneficial owner or owners of a company to also be permissible donors.

The Chair: I want to bring in Lord Watts and then Lord Robathan.

Q16 **Lord Watts:** This is an old problem. My own view is that far too much money is spent on elections. What is your view on that? It seems to me that if you control the amount of money that people can spend then a lot of these problems would go away.

Peter Geoghegan: We have seen a huge increase in the amount of money going into British politics. The 2024 general election cost £94 million, which is a huge increase on the previous general election.

The Elections Act 2022 massively increased the spending thresholds in Britain to an extent that is not in any way justified. Parties are nowhere near hitting them but they can spend huge amounts of money.

There are two sides to this coin as well. There are the unlimited donations plus a huge increase in spending. In some ways, that creates a perfect storm. We get more and more money coming into the political system.

One of the issues around foreign interference is that, if you look at it and say, "There's a category of people we think is unacceptable, which is foreign influence in our politics. We want to stop them giving, but we are going to let other people give unlimited amounts of money", that will prove almost impossible to do, because what you are seeing is that there is a loophole. We have had 25 years of loopholes. Loopholes will open up all over the system. We see them being abused and, frankly, they will be abused again.

The Government's proposals are good but they are fighting the last war. You need to step back and say, "Actually, how do we start taking the money out of the political system?" That would reduce the ability of foreign people to donate. If there is less money in the political system full stop, then it becomes much harder to put more money into the political system. But at the moment we are basically in an arms race and all the main parties are raising more money than ever before.

Every general election, every election and every contest is seeing more money. Crucially, not only do we not have spending thresholds, outside an election period we have very little transparency about how money is spent at all. That is the only time we know anything about when money is spent.

So, there are huge gaps, a huge lack of transparency, and yet more and more money comes into the system, which makes it more likely for foreign states and others to try and influence our politics, because the opportunity is there.

Lord Robathan: This is very interesting and obviously a very serious matter, but I would like to take you up on it a little bit, because I think there is certainly a risk of overhyping the problem of foreign money and undermining public trust in the political system. First of all, what impact does it have? What impact have we seen this foreign money having in this country? Moldova is one thing but what impact has it had in this country? Has anybody done any research on that?

Dr Susan Hawley: That is something that the Defending Democracy Taskforce should be looking at. One of the things we raised in our submission to this committee is that the Defending Democracy Taskforce should be more transparent about its work. Obviously, it should not reveal top-secret security issues, but having an annual report or written statement from a Minister about what kinds of foreign interference there have been would help us understand what impact it might have. At the moment, unless you have that, it is up to journalists, such as Peter, or civil society to guess. But there are things that the intelligence services or investigators might see from which you could put together a general picture and start reporting to the country on what is happening.

I think this is a matter of fairness. People feel that elections should be for British people and British voters to decide and they do not want it influenced by people from outside.

Lord Robathan: We can entirely agree about that. I am also with Lord Watts on the fact that too much money is spent on elections. However, what I am really asking is: is there any evidence that the money in the United Kingdom—not in other countries—has had any effect?

Peter Geoghegan: There is a reasonable amount of evidence to start looking at this. The Intelligence and Security Committee report from a couple of years ago found a number of potential instances of Russians trying to get involved in British politics. We have seen huge donations—

Lord Robathan: Did it achieve anything?

Peter Geoghegan: That was the national security report's suggestion. Again, you need security services to follow up on this. It was not followed up by an investigation. In the absence of an investigation, all you can see is what a parliamentary committee has said. The problem is if politicians are not willing to follow up on that with investigations.

Going beyond that, we have seen, for example, a former Reform UK leader in Wales who has charges in connection to spreading Russian talking points in exchange for money, which is bribery. Here in Parliament we have seen a good recent example: Qatar spent over a quarter of a million pounds flying MPs to Qatar on various trips. People came back and gave very glowing reports ahead of the World Cup, some of whom subsequently rescinded that, saying they should not have done it. We have also seen potential Chinese state involvement through the front work, so there is quite a bit there.

Internationally, we also have a lot of evidence that this is happening. In some ways, we have a situation where the absence of evidence is not evidence of absence. The unwillingness to go and interrogate and ask these questions is a huge part of the problem and will contribute to the lack of trust. Unless the Government and others are willing to go and fully investigate these matters, it is very hard to—

Lord Robathan: That is a very fair point, Mr Geoghegan. However, earlier you talked about buying influence. You are quite right: people in politics have been rewarded with peerages, but, thinking about Lord Paul, who has just died, I can promise you with absolute certainty that he had no influence in this Parliament. I think of Lord Sainsbury, who, to my certain knowledge, never lobbied for anything for Sainsbury's while he was Lord Sainsbury. People talk about Lord Spencer. I can tell you, because I know Michael Spencer, that he has no influence on this. It is one thing to say that money buys things and a different thing to say that money buys influence. I do not think it does buy influence.

By the way, I went to the Doha international forum a couple of years ago and I came back thinking "Jolly nice, Qatar", but I also had questions about the political situation there.

Peter Geoghegan: I think the problem is a conflation of different points. If we are talking about trust in politics, buying a seat in the House of Lords, which is buying a seat in the legislature for life, or being given a seat in the House of Lords having given a large political donation, is something that people rightly think should not happen. Lots of other places do not do that.

Lord Robathan: That is a fair point.

Peter Geoghegan: When you talk about influence—

Lord Robathan: You raised it, not me.

Peter Geoghegan: I raised another issue, which is potentially the cause of some of the conflation: people making political donations and then being more likely to get government contracts, which has been shown to be true through rigorous research by people such as those at Spotlight on Corruption, Transparency International and others. Our political system runs on private money and private donations, so, unsurprisingly, politicians want and need to get closer to businesses and interests that often want influence in politics, which is why they donate. In that sense, we have a political system in which money buys access.

The Chair: I would now like to move this on to look at what the Government have been talking about—their new strategy, and so on.

Q17 **Mike Martin:** In July this year, the Government advanced a new strategy which they hope to develop into a Bill. Before I delve into some of the specific measures they mentioned, in general terms, how would you rate their proposals? Are they strong? Is there anything we should look for as they develop them into this Bill?

Dr Susan Hawley: As I think I already said, they are a good start, but they are not enough. I think that is the widespread feeling among electoral experts, civil society organisations and the people who follow this. It is particularly important because we do not know when we will have another electoral Bill, so it is really important that we get this right. For quite a long time we have called for a "know your donor" policy, for instance. It is absolute madness that political parties are not subject to doing proper checks on whether or not their money comes from criminal or impermissible sources. They have to check only whether a donor is a permissible donor. That creates a lot of loopholes, and the law is not strong enough to deal with them.

Mike Martin: That is one of things in their strategy that they are talking about developing, is it not?

Dr Susan Hawley: Yes. The "know your donor" policy is really promising, as is increasing the Electoral Commission's filing powers. Do you want me to focus just on the promising bits?

Mike Martin: Yes, sure.

Dr Susan Hawley: It is great that they are starting to look at unincorporated associations and corporate donations. These are very well-known routes through which impermissible donors have been able to make donations. Generally speaking, it is on the right track, but we are all very hopeful that this can be strengthened as it passes through Parliament. There are certain things that it did not address, such as, as Peter mentioned, an upper limit for donation spending, and the fact that we live in an era of permanent campaigning and whether there should be greater transparency year-round rather than just waiting for the regulated period.

Peter Geoghegan: I would echo a lot of what Sue is saying. In effect, when it comes to these issues, the danger is that you end up fighting the last war and fighting the battles of before, where you look at the issues we have seen before, such as issues with unincorporated associations and around donation checks. What is coming next? What are the other threats coming down the line? How do you head off from a place where you are just constantly playing whack-a-mole? That has been the nature of electoral finance for the last 25 years.

There have been umpteen different commissions and people looking at the issue of political funding. How do we fund our politics? It has been an issue that all the parties have wanted to shy away from. Nobody has really wanted to grasp the nettle and ask the question: how do we fund politics?

Mike Martin: Would you advocate state funding of politics?

Peter Geoghegan: I think we should at least have conversations around some of this stuff. We do currently have a lot of state funding, but we just do not call it that. We have Short money and research money. We have lots of other ways in which the state funds politics.

Mike Martin: Specifically funding of campaigning, which is a bit different.

Peter Geoghegan: Which is different. There is a question about how we fund our politics. One way of doing it is to start taking the money out of it. If every party did not need to raise £40 million to be competitive, then you would start to get to a place where it becomes a lot easier to do politics. People are raising that money because they feel they need to. Every party feels they need to compete. Every party feels that they need to be against the other. If your opponent is raising £10 million from one donor—which has started happening—it is huge.

When I first started doing this sort of work about 10 years ago, £50,000 was a big donation. When someone gave £50,000, you would think, "That is interesting, who are they?" Now people are giving £1 million, £2 million or £3 million. These are really big sums of money. These are sums of money we never saw in British politics before. That really puts you in a position where you are able to dictate things. You are able to ask the question: is this an outsized influence on British democracy? I think it is.

Mike Martin: You mentioned the "know your donor" rules. When we buy a house, we have to do it with our estate agent or with the conveyancing lawyers, so yes, of course politicians should have to do that as well. If you two were trying to sidestep those rules that they are proposing, how would you set about doing that? Are the proposals the Government are putting on the table watertight enough?

Dr Susan Hawley: We have not seen the detail of the "know your donor" rules yet. It is very positive that they are also going to apply to donations from unincorporated associations. What we know from the anti-money laundering space is that there is no point having rules unless they are enforced and that breaches of the rules result in fines or that there is proper regulation of new rules. We need to see the rules first, and we also need to know how the Electoral Commission will be resourced and skilled to be the regulator of those rules.

Mike Martin: I keep coming to estate agents, but are there examples that we can just take from other sectors and say, "That works there, we'll have that"?

Dr Susan Hawley: The anti-money laundering rules themselves are a start, but I do not think they are enough in the electoral finance space.

Mike Martin: There is more.

Dr Susan Hawley: It is AML-plus. We have it on record that it is not a crime in this country to take a donation that results from the proceeds of crime, which is extraordinary. You could take money from the Mafia for your campaign, and that would not be illegal. That loophole has to be closed. It is also not illegal to take money as a gift. As long as you are able to donate, if that money is being gifted to you, there is no proper legal mechanism to stop you then giving a gift from an overseas donor as a party-political donation.

There is a proposal in the Government's new strategy to put into statute something that was never commenced, which is Section 54A of the Political Parties, Elections and Referendums Act. We think that is not quite enough, and that you need it to be much more clearly in statute that it would be a criminal offence to take money that derives from overseas. We think that also needs a bit of further work. In this space, "know your donor" will have to address proceeds of crime, but it will also have to address the permissibility.

Mike Martin: So, all the way back to the original?

Dr Susan Hawley: Yes, it will have to address the permissibility of the donation.

Mike Martin: I just want to delve into this idea of shell companies or overseas companies that perhaps conduct a tiny bit of activity in the UK. The Chair of the Committee on Standards in Public Life, Doug Chalmers, recently commented on this, stating that that absolutely has to be closed down. How would you design that rule to make that watertight? Or is there a way to get around that as well? Or, again, is there something off the shelf from another sector, such as the financial sector, that we could bring in to help solve that problem?

Dr Susan Hawley: I think this has to be bespoke for election finance. As I mentioned earlier, the Government have not gone far enough in that they have just talked about—and the phrase they used was—a sufficient generated income test. That is not going to work, because if a sufficient generated income involves a massive donation from your overseas parent company or a subsidiary specifically to pay a donation, then that creates a loophole. The net profits after tax, which would also be easier to enforce, going back two years, is key. One of the reasons why this has become a matter of public discourse was the discussion about a foreign tech billionaire donating £100 million, who was not a permissible donor and who has companies in the UK, which might well easily be able to meet that two years of profit test. This is why we think you probably need to look at going further and it needs to be worked out carefully, through looking at whether the person or persons of significant control are permissible donors themselves.

Mike Martin: Peter, just following on from that theme, in the strategy that will hopefully make it into the Bill, they propose a UK connection test. Perhaps this particular example would have helped that particular example. How would that work? What are the weaknesses of it?

Peter Geoghegan: This is a big question. One of the reasons that there was interest in this was the idea that Elon Musk could give $100 million to a political party, which shows the ability in which we have unlimited donations and someone like this can just buy access to a party. If you were to bring in a UK connections test, one option might be to say this is only for UK-registered companies or something like that because, at the moment, you can set up shell companies or you can bypass by transferring money into UK companies just to make a donation. This allows people to donate who would not otherwise be able to donate.

There has got to be a lot more thinking done around this, to the point where it becomes really difficult to figure out why we allow corporate donations in the first place. Why should a corporation or individual donate? We see it used a lot. We see people using corporations and corporate vehicles to donate, rather than doing it themselves, which begs the transparency question, whereas, when members of the general public look at the registers published by the Electoral Commission, they can see the names of political donors. But when these donors decide, for whatever reason, to use companies to donate, it obscures it quite a lot.

There has to be a reasonable question: for example, why is this company donating in the first place? Sue mentioned earlier that one option is to ban corporate donations. As it currently stands, we have a system where corporate donations can be used to give money from people who would not otherwise be able to donate. On the Electoral Commission, at the moment it is not that clear from what the Government are suggesting how exactly this system is going to work. This idea of two years and generation UK is very unclear. It is not clear how corporate thresholds are going to be reached. If it is not about profits and it is just about revenue, how is this money being generated in the first place? How can you give money that you have not made as a profit? That does not make any sense.

Clearly, there is a desire on the Government’s part to try and do something about this; that is to be applauded. But, as it currently stands, I do not think it goes far enough to protect us from people using corporate donations to give money. We did this research, as I mentioned earlier, where we found millions of donations given from people who would not be able to donate otherwise, including more than £500,000 from a Venezuelan-born banker, who has just recently pled guilty to charges in the US in connection to bribery in an election.

Mike Martin: I have one final question. If we were to ban corporate donations, would you also include donations in kind? I give the example of a consultancy firm donating staff to an opposition party that may soon come into government, as a way of allegedly ingratiating themselves with that political party in the hope that they become the party of government.

The Chair: Please keep your responses very brief.

Dr Susan Hawley: I genuinely think that is a tricky one, because opposition parties have very little resources with which to do credible research to come up with credible policies. That would require some careful thought. We definitely need some boundaries, transparency and proper conflicts of interest checks on that, but I am not sure about banning it.

Peter Geoghegan: I would agree. One thing I would do is extend the Freedom of Information Act to cover opposition parties, say, over a timeframe before they went into government. That would be one way around it and to try and bridge that gap.

Dr Susan Hawley: And expand the lobbying—

Peter Geoghegan: And expand the lobbying register to include opposition parties in the run-up to the general election.

Q18 **Lord Sarfraz:** As a member of the group of treasurers of a major political party, I agree 100% with everything that you said, but I struggled to find a model around the world which we can really draw upon. I was wondering if, from your research, you could give us some ideas of countries that have done it right without relying entirely on government funding.

Dr Susan Hawley: Your last caveat is the most difficult. Canada has some pretty strong rules, but relies very heavily on public funding. If you are not going to have public funding, you need this upper donation limit. It cannot be right that one individual could come and donate £100 million to a UK party. That could completely skew the field against other candidates.

Australia is doing a lot of work at the moment around introducing a political donation cap. Again, that is going to involve public funding. There are advantages of public funding, which are that—and we see this in Europe—there can be sanctions, where you have your public funding removed if a party breaches the rules. But I appreciate that, in the current fiscal context, it is a very hard lift.

Q19 **Lord Sedwill:** Mr Taylor, I am going to lead off with you, because I want to come to the tech angle to this. On crypto and, potentially, AI-enabled micro-donations under the thresholds for declaration, is it feasible for those to be used at scale to channel foreign money under the radar of the rules?

Ian Taylor: Yes, anything is feasible if the rules allow for micro-donations, whether with a crypto asset or with pound sterling. My answer would be that it is about the robustness of the test, whether it is "know your donor" or whether you accept crypto as a form of payment. Let us remember, there are several thousand different types of crypto assets that you could potentially receive as a donation, as a party or a campaign. It would be based on the robustness of the rules that come out of this new potential legislation.

Lord Sedwill: In theory, would it be feasible for, for example, a foreign state using AI to surge a series of micro-donations under the radar screen or under the threshold into our politics should they wish to do so? It is obviously different to an individual buying influence, because if it is anonymous, it is anonymous. But they could do so.

Ian Taylor: I would ask if it was the same individual or entity that was making micro-donations to try and get underneath the radar. To top that up, we have technology in blockchain that allows you to be able to understand the transaction history: exactly where that came from; that is, the provenance of those donations. You could run this software—we call it blockchain analytics software—and we have members of staff at CryptoUK that can provide you with some data points to be able to track and trace the complete history of those transactions. You could build a picture using technology, such as AI, to be able to identify that that was a sole individual or a sole entity trying to game the system, for example.

Lord Sedwill: Is that possible to do now? Would you be able to work back up the chain and detect the originator?

Ian Taylor: Yes.

Lord Sedwill: And with crypto?

Ian Taylor: Exactly the same. At CryptoUK, we do a lot of work with financial crime and illicit finance across the piece. All this data is public; we call it "onchain". It is available for anybody—yourself, anyone in this room or anyone globally—to go on to a website called a blockchain explorer and be able to see the complete provenance, right from the creation of the token minted bitcoin or the bitcoin blockchain, for example, to where it lives today and in whose wallet. That is the same for every single blockchain.

Lord Sedwill: So the general fears about crypto permitting anonymous transactions put aside the political angle to this? Are those fears not real?

Ian Taylor: We acknowledge that there is illicit finance that takes place with crypto, and I have some stats that I can give to you. But one thing we believe is somewhat unknown in this industry—and that is why CryptoUK exists and other organisations will advocate for it—is that the technology is public, transparent, immutable and allows for anybody to see what has taken place previously, using tools such as analytics and other AI tools that are available.

Lord Sedwill: And those are available now, so that is not something that you are recommending. That is something that could happen.

Ian Taylor: Correct.

Lord Sedwill: Do either of the other panellists want to add to that point?

Dr Susan Hawley: Yes, I would. Next to a crypto expert, I hesitate to say too much, but what is clear from the conversations we have had with people who understand crypto regulation or electoral regulation is that crypto may need its own regulatory regime. It cannot just be left for the existing regime to deal with. Whether it is about making sure that donations only come where there is a blockchain process involved, this really needs to be looked at, because there are ways to make anonymous donations through crypto. There are ways to anonymise money through certain types of crypto.

Ian Taylor: And there are ways to make sure that you know exactly who sent it. That is what I would suggest: if the UK Government want to collect donations, they should know their customer, and know their donor in this case. That is pretty straightforward and easy to do. In fact, it is even easier to make it public than receiving a donation from Barclays bank or NatWest, because you could not call up and reconcile; Barclays would not give you that information. But what you could do is attach a person, an identity or an entity to a wallet address, and make that public, and then people can test that. Anyone can test that that person controls that wallet and where that donation came from.

Dr Susan Hawley: I think that does require both the Electoral Commission to have the expertise and specific regulations designed for crypto, because it is quite a unique form of financial transaction, is it not?

Ian Taylor: It could be also considered to be a new form of digital money. In fact, this Government have a policy position to support the crypto sector. In 2022, it came out that they want to be a crypto innovation hub. This year, we will see stablecoin, which is a type of crypto asset that is backed by dollars, sterling and euros, and will be considered in the UK economy to be similar to electronic money. You could make a donation with electronic money, so I would argue that crypto payments are akin to paying in cash but are more traceable and transparent.

Lord Sedwill: So, Mr Geoghegan, that sounds as though crypto or AI-enabled micro-donations are less of a problem than we might think and that they are less of a problem than some of the other things you have been talking about so far. I must admit, I came into this presuming this was one of the big gaps in our control regime, but apparently not.

Peter Geoghegan: I would defer to Lord Sarfraz here, as someone who is more involved from the treasurers' point of view. We have seen time and again that, if you look at political parties, the treasury teams are rarely very large. They are used to looking up—basically googling—and finding out if someone is on Companies House or the electoral roll. At the very least, it behoves or would require more sophistication—if we were to not change the regime that we have—within political parties in terms of how to handle donations. I cannot speak to the quality or lack thereof of the software, but at the very least you would need, both in the Electoral Commission and in political parties, a way of understanding how to look up all these things.

To give you a bit of context, as a journalist, I would love it if I were able to reconcile political donations in real time. At the moment, the Electoral Commission just publishes someone's name. If your name is unusual, it is quite easy to find you. If your name is very common—for example, Joe Bloggs or Ian Smith—it is really hard to know who made a political donation in this country at the moment. We do not actually have a huge amount of transparency around that. The transparency is for those with strange names. If I, with my weird name, was to make a political donation it would be pretty clear where it came from. If somebody with a very common name makes a political donation, we cannot really see it, so there would even have to be changes in the regime. At the very least, it does feel as if the regime, as it currently is, is not fit for purpose to deal with the transparency measures that we need.

Lord Sedwill: I understand the point, but the point I am driving at is that earlier in this conversation we talked about the potential for foreign Governments, hostile states and adversarial states to influence our politics through pushing money into it. The reason I am pursuing this is that I had presumed that crypto, AI-enabled micro-donations and other technical means would facilitate that. I am hearing from Mr Taylor that, with the right skills and expertise, we can trace those and that that is not the case. I just want to be sure I have understood that correctly.

Ian Taylor: Yes.

Dr Susan Hawley: This might be something that would be worth us submitting further evidence to the committee on, because in the US there are cases where dirty money has got into the political finance system via crypto or criminal money. It is well known that crypto does pose particular risks in terms of money laundering. We have had the EU, the European Central Bank and various professional bodies flag it as a risk, so I do not think we can be naive to the fact that it could pose these risks. The truth is that it is very new in the UK. Globally, it is very new. It is only the US where this happened. It would be well worth looking at the US as an example to see whether some of those risks have transpired there.

Lord Sedwill: Understood. Clearly, the point is that to be able to pursue it, one needs the skills to be able to pursue it. It is very helpful to have the point clarified that, assuming those skills and the software are available, crypto and AI micro-donations are not in and of themselves a means of completely concealing the provenance of the donor.

Ian Taylor: No, this is technology.

Q20 **Baroness Fall:** Lord Sedwill has covered quite a lot of this area, but I had a few follow-on comments. Thank you very much for your time today. The discussion centres around the integrity of our poll and the trust that is so important to upholding that. Party finance is a very important part of that. It was fascinating to hear Ian saying that what I had assumed to be a potentially difficult back door for foreign finance might not be that. I just want to ask two questions related to that. Elsewhere in the world, where other democracies have been discussing similar issues, they have taken different courses. In Ireland and potentially Brazil, they have looked at this and possibly sought to ban crypto donations. What do they know that we do not know? Have they taken the wrong route? Ian, if I could start with you.

Ian Taylor: Yes, absolutely—it is a very good question. What I know about Ireland is that this ban took place prior to an EU-wide set of regulatory requirements called MiCA—markets in crypto-assets, which, for those in the financial services, is similar to MiFID. It regulates many activities. Anti-money laundering and counterterrorism financing has been regulated in Europe for the last several years. It was transposed from the EU 5th AMLD—anti-money laundering directive—in the UK in 2020 and across most of the advanced world. Crypto asset service providers are required by law to conduct the same AMLD and custodian due diligence on the financial services. In fact, these firms go a lot further.

In the Irish case, this ban took place before this regulatory environment took place. Bitcoin has been around since 2008, so this industry is somewhat immature compared to other types of financial assets. But the technology is more than just putting bitcoin in your portfolio to invest in; it is a payments architecture. It also could be used to issue financial products on chains, such as bonds, and the UK Government have a policy position to look at financial market infrastructure using the technology to see how it can improve.

These are two outliers from a world with hundreds of countries where, as long as there is a framework wherein we know where the donations came from and we adhere to the recording and reporting of where the source is coming from—to the point from my colleague, Peter—this is much easier to do with this technology, because you can "white label" the wallet address, so you know up front who it is.

You can do that pretty straightforwardly by doing what we call a micro-transaction. I can send you, Baroness Fall, $6.65. You receive it in your wallet. While I am on the phone, I send you a transaction hash, which is a cryptographic signature that proves with 99.9% confidence that it is me that sent it to you. Then, while I am on the phone, you know that I am the sender. We do this at my accounting firm all the time when we report an audit and attest to crypto companies to prove that they hold these assets. It is fundamentally different to keeping money in a bank account.

On the two countries in that example, that is probably a disproportionate approach. I would not advise the UK Government to do that, because it would be undemocratic to tell somebody that wants to donate to a campaign or party that they are not allowed to use a certain type of payment. There should be freedom of choice.

Baroness Fall: You are basically advocating a modern approach to a new means of payment, which needs some regulation experts to check it—probably, most party headquarters do not have those people, so they need to use the Electoral Commission or other experts—and that, within reason, that would work as a new form of donation. Would it be vulnerable to hacking? Are there cybersecurity issues related to it?

Ian Taylor: There are always vulnerabilities in public architecture, which most of the main blockchains are. However, I always joked that the clue is in the name. This is cryptography, public and private key encryption, which is used to underpin all the transactions that take place on the internet. In our industry, we see a lot of advancement in encryption technology that goes a lot further, even thinking about quantum encryption as a way to protect against all the private and public key encryption that is used on payments globally at the moment.

Baroness Fall: Are there any other points on foreign examples or other ways of dealing with this issue from Dr Hawley or Peter Geoghegan?

Dr Susan Hawley: My sense is that Ireland and Brazil have taken a precautionary approach. This is a very new technology. The regulation in different jurisdictions is completely different: some of it is completely unregulated, and some of it is quite regulated.

I just wanted to highlight some examples—it would be interesting if Ian wants to come back on them—from a law firm on how illicit actors launder money through crypto exchanges. They can use mixers to mix clean crypto with potentially illicit crypto. There are some cryptocurrencies that are specifically designed to obscure the identity and location of an individual or entity. There are real questions here. There is crypto and there is crypto: there is the crypto that Ian is talking about, which has a blockchain and a public ledger that you can get to. But we have to be able to have a system that also addresses crypto that comes from less-regulated jurisdictions, which can be obscured. Those dangers should not be underestimated.

The Chair: Is that the point, though, that it is about the type of crypto? Ian was talking about crypto and blockchain, but given the many types of crypto that there are, should we be regulating on the types of crypto and the wallets as well if we are going to be safeguarding? Given that we do not have any controls today, should we be blocking it until we put legislation and controls in place?

Ian Taylor: To Dr Hawley's points, we appreciate that there are technological tools that were designed to obfuscate one's individual personality and that privacy preservation is part of the value proposition of some of these technologies. I would absolutely recommend a policy in which privacy coins were not accepted. There are several thousand different types of crypto assets, so you could have a policy where you would only accept a certain type, just as many organisations accept crypto as a means of consideration from their suppliers and use it as a means to pay their staff—that is proliferating. To the final point on tokens and crypto assets coming from offshore, as I understand it, the rules allow only British citizens to make payments. As I mentioned before, you can absolutely have a white list of those people that want to donate in crypto, and you can do the KYC, or "know your donor" in this case, beforehand so you know that the person making the donation is a British citizen.

The Chair: But today, crypto has obviously got a sullied reputation by its association with drugs, organised crime and very dark money moving around. Right now, if political parties are receiving money through crypto, there is no control over that. Is that correct?

Ian Taylor: I think we need to put this into proportion. The factor of total illicit finance globally is $1.2 trillion—2 to 5% of total GDP, according to UN data. On crypto, one of our members—Elliptic, one of these blockchain analytics firms I talked about—says that the total illicit activity on blockchain is $41 billion. That is 3% of the total size of the overall market, which is significantly less than the $1.2 trillion. This industry is relatively nascent, as I talked about, and the regulatory environment has only been around for a few years. The industry is growing and—and take Dr Hawley's point—jurisdictions are moving at different speeds. The work we have done at CryptoUK with the Financial Action Task Force to regulate and protect against illicit finance is well advanced and has been around for nearly a decade.

Q21 **The Chair:** Okay, thank you. I just want to come back to a point from earlier. Susan, you were saying that the law is not currently strong enough on controls over illicit finance coming into the political funding. We have seen that the Metropolitan Police are basically saying that they are not interested in pursuing cases. How serious is the situation as you see it right now? Answer very briefly, if you could.

Dr Susan Hawley: There are two things. Has the Electoral Commission got the resources and the powers to really fill the space that the Met Police do not want to fill? I think this is really important for the committee to understand. As you know, its budget was recently increased, but even with that increase in budget, the UK spends significantly less per voter than comparable democracies. We spend £1 on our electoral regulation per voter. If you compare that to Australia, they spend nearly £8 per voter, in New Zealand it is over £12, in Canada it is £4, and even in

Ireland it is nearly £3. Even with that budgetary increase we are spending, the Electoral Commission is spending a lot less. This is at a stage where it is now going to be given powers to also regulate candidates. A really critical question is: what budget will the Electoral Commission have to be able to do this properly and to keep up with new threats, such as cryptocurrency, and build the expertise to be able to regulate that properly?

I think there is also a criminal enforcement gap. The Electoral Commission had its criminal powers removed. The real question is whether it should be given those powers back, but it cannot necessarily do this on its own. There are bodies, such as the National Crime Agency, which have access to suspicious activity reports and have surveillance powers. We want to see a specialist police unit that will step up to support the Electoral Commission in doing this enforcement. The Electoral Commission must have the power to ask for information outside of an investigation, particularly to social media companies. At the moment, they cannot use investigatory powers on someone outside the UK. They need whistleblower awards, and they need to be able to have the fines that they impose reinvested back in their enforcement capacity.

Peter Geoghegan: I agree. As it currently stands, we do not have a regulatory framework within which we can properly interrogate. It has become a pass the parcel. Nobody wants to deal with issues around political finance because it is political—the clue is in the word "political". Law enforcement does not want to deal with politics for good reason. It hates getting involved in politics. The Electoral Commission was very badly burned by its earlier investigations into Vote Leave and, as a result of that, it ended up with fewer oversight powers and less independence than it had before, which is worth mentioning as well. Currently, the Government are not proposing returning the Electoral Commission to full independence. That is another issue as well.

At the moment, we have this crazy situation in which a political donation from the proceeds of crime is not illegal. That is clearly a problem. There need to be frameworks in which this happens. There need to be clear frameworks in which there is a clear relationship with whoever is going to be the body in charge. Is it going to be the National Crime Agency? If it is, how is that going to work? What are the other bodies that need to help it? If there is a situation where a political donation has been made, what does the Electoral Commission need to be able to fully investigate whether it is from proceeds of crime, whether it is illegal, whether it is impermissible or whether it is a foreign donation? How is it going to be able to go ahead and do that, in a way where it knows that it has a robust framework for that to happen? At the moment, that is not the case.

The Chair: On that point, thank you both very much to the three of you. We will now suspend the first witness session.

Examination of witnesses

Vijay Rangarajan and Jackie Killeen.

Q22 **The Chair:** Welcome back to our second session on political finance as part of our "Defending Democracy" inquiry. We are pleased to have two guests from the Electoral Commission. Could you briefly introduce yourselves?

Vijay Rangarajan: Thank you very much for having us. I am chief executive of the Electoral Commission.

Jackie Killeen: Thank you. I am director of electoral administration and regulation.

The Chair: From what we have heard from the last three witnesses, it sounds like you have your work cut out for you. Your criminal powers have been removed, and you do not have the resources and capability to respond to these challenges. Vijay, perhaps I can start with you. How would you respond to that?

Vijay Rangarajan: I think we are now in a much better position to tackle some of these threats, and that is partly because Parliament approved—thank you—our corporate plan last year, and the Speaker's Committee did indeed increase our budget. One of the core strands of that corporate plan was to tackle threats to UK democracy. That included the things you have just been very helpfully discussing and also included the things in the letter that you sent to the Minister last July before the election, which we have then taken forward. This is now part of our work programme, including, for example, work on misinformation and disinformation, which is a very big one; deepfakes, which you may want to come back to; and political finance. I think your previous witnesses were right that we need to step up significantly, in terms of both scale and capability. We need some different capabilities to be able to analyse some of the financial flows going on and to keep up to speed with the new technology.

My final point is that we need to learn very rapidly from elections around the world. The threat picture we are seeing is evolving incredibly quickly, and it is coming through election after election around the world. Ours do not happen on that timescale, but we are trying to learn from other commissions and from the information we have from around the world. For example, our current focus is on May 2026 and the Welsh, Scottish and local government elections. What can we put in place to support candidates, parties, campaigners and the voting public at that time?

The Chair: The Government have come forward with a series of proposals. One of them is "know your donor". How realistic is that? How open is it to being gamed?

Vijay Rangarajan: We very much welcome the "know your donor" proposals. They are quite broad ranging, and at the moment, we are very interested in seeing what the detail of those are. In all the Government's proposals, the direction is really promising, but the devil really is in the detail about how this would work.

I would say three things on "know your donor". The first is, quite a few political parties are already doing quite significant "know your donor" work. Any of you who have also been a treasurer of a party know how much work goes into checking, but it is not uniform. Secondly, how far down the line of the donor do you go? There is a proportionality test that needs to be done. Thirdly, on a risk assessment, if a lady living in your constituency has been known for 50 years and is giving £50 a week, that is a low-risk donation. But if half a million pounds appears in the party bank account from a foreign account, accompanied only by an email saying that they are a permissible donor, that would be very high risk.

After the legislation passes, one of the things we have on our to-do list is to produce guidance and to discuss with the political parties how to do this proportionately. The compliance burden on parties is already significant, but we think that there is a way to both defend their own reputations and to reduce the risk of foreign sources funnelling money, either with the connivance of some in the party or as a weapon to use against some political parties—by putting the money in and then declaring it to be impermissible later on. This is a real risk. A combination of the "know your donor" checks, the company donations work and the crucial changes to unincorporated associations should go quite a way in tackling the things that we have seen going on, to some extent.

The Chair: Someone described what the Government are facing and what you are facing as, basically, a game of whack-a-mole: whatever you think you have got under control, there is suddenly some new technology, new scam or new way around the regulations. How on earth are you able to really manage this? You said that you do not necessarily have the capability and resources. There are new capabilities that you need.

Vijay Rangarajan: We are currently hiring, and our budget has expanded, so we are hiring those new capabilities and bringing in resources. We have done an enormous amount of technology modernisation just to enable us to begin to use AI and some of the analytical tools that we are going to need to use.

The second thing is we are working very closely with some key partners on how we can share information. I particularly single out the National Crime Agency, the police—obviously—others in the intelligence world and the Home Office. There are some limitations there.

The Chair: But Susan Hawley was just saying that the limitation is that we are spending far less than other countries on how we scrutinise and regulate this.

Vijay Rangarajan: Yes, and for the sake of clarity, I am not bidding for an Australian-scale budget. We have got significantly more money—

The Chair: But if we are serious, money does need to be put in.

Vijay Rangarajan: It does, but we have more money for this. We are working very much in a different mode with the NCA and with agencies very collaboratively to see what needs to be done. If we need more money, we will come back for this. I should be really clear. We do an estimate and a request every year, which the Speaker's Committee scrutinises. At the moment, we have what we need to begin this process of scaling-up. But the new legislation is likely to have some additional burdens that mean we are going to have to cost and scale-up, particularly taking on all candidate finance as well, which is going to be quite a significant job.

The Chair: The particular concern has really been about the thresholds for overseas donations from individuals and the growing numbers of, say, UK Brits abroad who are now on the electoral register. There are now 100,000 in the UAE, for example. Is that a risk?

Vijay Rangarajan: It is definitely a risk, and it is one we have had our eye on. We have been looking at donations from donors around the world, who may be permissible, but may be foreign donors, as well as donors in Ireland and Northern Irish politics, which is another strand that we have been looking at. It is not a great problem at the moment. We have mapped out what scale of donations come from abroad, and it is quite small. We can do that analysis and send that to you, if that would be helpful. We have looked at donations from Ireland to Northern Ireland. It sits over a five-year period at about 2% of the donations to Northern Irish parties. It is one of those issues and threats that could become a problem, but as long as we can use transparency—and this is where the publications that we do regularly come into play—and as long as we can publish a lot of this and make it clear to the public, media and all of you, it can regulate itself.

Clearly, your point on whack-a-mole is right. There are some things we will need to move quite quickly on if they become a problem—and not on a legislative timescale, given how often electoral Bills come along. We are looking at guidance, working very much with the parties, and possibly statutory guidance, to say to parties, for example, "You should use this kind of crypto and not this kind of crypto". In some areas, we are definitely speeding up our analysis of the threats that go on.

Jackie Killeen: I was just going to add to that last point that we are working increasingly closely with parties and non-party campaigners, trying to encourage them to come to us when they have concerns, issues or they are not sure how to approach a class of donation or spend. We are responding to that and evolving our guidance when those sorts of issues come up.

A recent example would be guidance we have produced to help parties do their due diligence on crowdfunding donations, which have increasingly become part of the landscape. We try and apply the principles at the heart of PPERA to help them still comply, make sure they are only accepting permissible donations, make sure that they are returning impermissible ones and that they are reporting correctly, even within novel or evolving technology platforms. That is also increasing rapidly as the technology landscape evolves.

The Chair: Lord Watts wants to ask a brief question.

Q23 **Lord Watts:** You talked about "know your donor". Is there is there any room to, first of all, identify who would be responsible in a political party, to have clear guidance for their responsibilities and to hold them accountable to those responsibilities? It seems to me that political parties would like to accept a donation, and there will be a great deal of pressure to accept that donation in the run-up to a general election. But there needs to be someone who has got overall control. Have you got any views on that?

Jackie Killeen: That would be our intention. Even before the "know your donor" checks have come in, within the legislation that is proposed, we have been delivering bespoke training for treasurers and, for example, for accounting units, given the different kind of party structures.

Lord Watts: But do they have legal responsibility?

Jackie Killeen: Yes.

Lord Watts: Would there be criminal sanctions for someone who broke those rules?

Jackie Killeen: We would have to see what is in the detail of the legislation.

Vijay Rangarajan: At the moment, treasurers do have criminal sanctions held against them for, say, falsification of accounts. PPERA probably bites most tightly on the personal role of a treasurer signing off.

Q24 **Lord Sarfraz:** How do you feel about UK subsidiaries donating? Where does it start, and where does it stop, given that now there is so much capital from overseas and very legitimate capital from sovereign wealth funds, family offices and so on? British Airways is a subsidiary of a foreign holding company—International Airlines Group. That would be a perfectly permissible donor. But someone else might say that that is owned by a sovereign wealth fund. How do you deal with that?

Vijay Rangarajan: It is a very difficult area. We have also had examples of companies based in the UK that gain almost all their revenue by exporting, and they have asked us whether that is legitimate. We have made a proposal to Government—we have made it in public over many years, as your previous witnesses said—that we should be limiting donations to companies that are carrying out business in the UK. That needs to be clarified to mean profit. We like the CSPL's proposal on profits over the last two years. Other proposals have asked, for example: should the amount of company reserves be acceptable or should turnover be acceptable? Neither of those would really make much difference; they are very easy to gain.

From our point of view, profit has the advantage that we can check it, and so can party treasurers, both in Companies House retrospectively and by testing at the time. But it is very much based on profit in the UK. So that is what we would like—

Lord Sarfraz: How do you deal with the issue of an opinionated foreign billionaire using one of their profitable subsidiaries in the UK to make sizeable donations domestically?

Vijay Rangarajan: If they are doing business in the UK, they would still be able to make sizeable donations. There are two further ideas we are looking at. The first is that they would need to have somebody in the UK who fell under UK jurisdiction. At times, we have had issues with finding someone for whom UK law mattered because they were within UK jurisdiction for criminal law. Secondly, there is the concept of the person of significant control and trying to work out who the person of significant control is, who is making that donation, which could be a UK director of a UK subsidiary. But it is going to be complex to define this in the forthcoming legislation.

Q25 **Liam Byrne:** Ahead of this session, my team studied 2,000 transactions over the course of 54 months, between January 2020 and April 2025. We were looking at money that was flowing from 444 people towards a particular part of the political system. We uncovered that there are now very significant money flows going to politicians directly, but through the media system. We found £153 million invested over the course of 54 months. Over 90% of that money comes from three men: Paul Marshall, Christopher Chandler and Jeremy Hosking. Some 90% of that investment goes into UK media assets, which are now flowing money into the bank accounts of Reform MPs. Under the proposals envisaged by the Government, will there be any measures to forestall that kind of investment flow, whereby foreign money can come offshore? Legatum is based in a secrecy organisation in the UAE. We do not know where the origin of that money comes from, but it is going into a UK media organisation and into the bank accounts of politicians here in this House. What measures are on the table to stop that kind of transaction in the future?

The Chair: Can I just ask members to refrain from using individuals' names where possible?

Vijay Rangarajan: All three of the measures currently in the Bill would have some effect then and would have to go into some detail on how they would interact. The requirement on a party and a party treasurer to know their donor would certainly have an effect; they would need to understand. We have had quite a few discussions with parties trying to understand where the donor has ultimately come from and whether that person was permissible or not.

Clearly, unless the UK organisation concerned had made sufficient profit over the last two years, they would not be able to flow that money through them either. In some cases, they have also used Members' associations or unincorporated associations as ways to flow that money through, particularly to individual politicians.

All three would have some effect, but I would have to go into the detail. Maybe Jackie wants to comment further on how exactly that would work. It would not remove, and the current proposals do not remove, the fact that we do not have donation caps, so someone can give as much money as they have or have made in the UK to a UK political party. Your previous witnesses have said we have seen record amounts of money flowing into UK political parties as the spending caps rose. We are running at about £100 million per election; that is the rough order of magnitude of what is currently spent. It is still very small.

Liam Byrne: So in this case, the media organisations through which the money is flowing are greatly loss-making? Would that have a bearing?

Vijay Rangarajan: Yes, it would.

Jackie Killeen: Also, the "know your donor" check, as proposed in the Government's election strategy, would take permissibility checking one stage further. It would require checking on the source of the funds, as we understand it.

Liam Byrne: If the politicians happened to own shares in that particular media organisation, would that compound the risk?

Jackie Killeen: I do not think it would change the requirement to check.

Liam Byrne: You are looking pensive, so perhaps there is some follow-up correspondence to be had.

Vijay Rangarajan: I am wondering whether a dividend would therefore be included. I think that would very much still count. In a way, the model we are trying to run is based on transparency, with the onus being on parties to be honest about what they declare.

Liam Byrne: Let us push this point about transparency. In the period that we studied, about £44,000 came from the social media platform X into the bank accounts of politicians. We obviously do not know what algorithms generate the kind of views that deliver that kind of ad revenue. It does not seem to me that there is a lot of transparency there. Would the checks the Government are proposing stop that kind of money flow in the future?

Jackie Killeen: We would have to work through the details of that.

The Chair: Perhaps this is something I could follow up in writing, because it sounds as if there is something of real interest in what you are asking. If you are in agreement with that, I will follow up with a letter to you.

Liam Byrne: I think that would be very helpful, Chair.

Q26 **Lord Sedwill:** Can I pick up the point about crypto, AI and tech? You were both in the room, so you will have heard it. I was not expecting to be saying that we have understood from the technical expert that in the end, with the right capabilities, crypto is not anonymous. That appeared to be what he was saying. As you saw, I tested him a little on that, and that appeared to be what he was saying. In other words, at least in theory, it should be possible to track all the way back up whatever chain of transactions there are to find out the identity of the original set of donors, even if they are donating through crypto or if these are micro-donations through other some other mechanism facilitated by an AI or whatever. I have two questions. First, is that your assessment as well? I must admit, I was genuinely quite surprised that that was his view and that crypto does not provide the kind of anonymity that I know we have been concerned about for quite some time. Secondly, whatever your answer is to the first question, do you and do law enforcement have the capabilities to do the kind of tracking that he is suggesting is possible?

Vijay Rangarajan: I can start, and Jackie might want to continue. I think we are more sceptical about the use of crypto than your previous witnesses for two reasons. I agree with them that you can track back to the different wallets, and you can work out which wallet is holding it. Particularly abroad, it is very hard to work out who is actually controlling or who owns that wallet. That comes back to controlling agency and the kind of financial flows that we have seen. Yes, you will know that a wallet, with its long string of numbers, had that asset in it and that that asset was transferred on this date, but we do not know who was making these. They flow through many of these, so the resources needed to track back through many of these crypto transactions are really significant. Because of the proportionality of them, it is very hard to do, except for large transactions where we are really investigating something.

We put out some initial guidance for the parties on crypto. Jackie talked about how much there has been of this. But we think we will need to keep on working with increased guidance for the parties, not least as the crypto world is evolving quite so rapidly. We think it is going to be necessary for the parties, if they are going to use crypto donations, to rely on the more trusted kind of crypto wallets and organisations, which are based in the UK, subject to the FCA and subject to legislation here. There is maybe a whole swathe of them which they should not rely on. We would be advising them very strongly that they cannot do that. And why? Because we are just applying the same principles as elsewhere: you need to know your donor, you need to be sure they are permissible, and they and we need to be able to publish that for the public to see.

Jackie Killeen: Our current guidance is based on the same principles as that other kind of donation, non-cash, cash, in-kind or otherwise, follows. A party has to be satisfied that the donor is permissible. To do that, they have to be able to identify who the donor is, which is difficult, with many of the platforms and providers that are out there. They may evolve, and that may become more possible, or the kind of software your previous witness was talking about may become available. They have to be able to return that donation if it is not permissible or if they cannot satisfy themselves that actually it has come from a permissible source. They have to be able to value it accurately at the time the donation is made, and we would have to be able to report that.

We have not had any crypto donations reported to us so far. We know some parties are considering it. We are keeping a very close eye on it. Not only will parties have an extra challenge around the due diligence they carry out or will need to carry out, given those technological challenges with crypto, we would probably need some additional powers to be able to obtain information so that we can be satisfied that donations are from a permissible source. At the moment, our only way of doing that would be to mount a full investigation, which might seem disproportionate if this were to become more widespread.

Lord Sedwill: Thank you. That takes care of political parties, over which there are formal obligations and so on, which you set out very clearly. But what about the indirect flow into our politics? This could include campaigning organisations, a connection or, to the point Mr Byrne was just asking about, media organisations and so on, that are legitimately paying the salaries of people who appear on them and all of that. Fundamentally, we might not know the original sources of the funds. The concern would be that it could either be individuals or even hostile states. I get the obligations on political parties. "Know your donor" means to know your donor however they donate. I have got that. What about all the rest, such as campaigning organisations, media organisations and money just flowing in to shape our politics?

Jackie Killeen: One of the other proposals in the Government's legislative agenda is unincorporated associations. I think they were mentioned in the last session. That is a significant loophole with very little by way of checks. The Government's proposals have the potential to significantly tighten that loophole, which we would welcome.

We have also been trying to improve the guidance that we give to parties, non-party campaigners, members' associations and others on how they should manage donations, spending on social media—to reflect back on your point—and in-kind donations as well, so that that is reported as transparently as possible and we are able to identify across the different sets of finances that are reported to us, from their spending returns to their donation returns, to their annual accounts, whether anything looks like it is not quite adding up.

Vijay Rangarajan: The examples of the organisations you mentioned are all the non-party campaigners. Above a certain threshold, they have a legal obligation to either register with us or, above a certain limit, to declare their income. We aggregate that, so we should know who it is. Then, we publish all of that, particularly—this is the second obligation—when they then donate to a particular party.

Jackie Killeen: They are required to adhere to a statutory code of practice for non-party campaigners. We try and work with them. Obviously, they report in the same way, and we report their spending alongside that. We have reported all the candidate and political party spending on last year's general election. We also reported the non-party campaigners' spending alongside that.

Lord Sedwill: I will make my final point, because we need to move on. I am not so much thinking about elections, where there is structured scrutiny and so on. I am thinking more about the fact that, in general in our political debate, people can pop up, be funded, can gather a following and get a presence on social media and so on. Some of them might be funded by sources that do not have this country's interests at heart. It is that, and not so much the formal structure of electoral politics, where the onus is essentially on the parties to know who their money is coming from, that I am concerned about shaping our politics, particularly from the fringe—whipping up particular groups, whipping up resentments, creating divisions and undermining confidence in the system at any other time, outside of elections. That is the area I am really wanting to probe here.

Vijay Rangarajan: You are right to be concerned about it. It sits on our risk registers as one of the things we want to work on. It particularly sits outside election periods, as you say, because during that time there is not really a regulatory regime in the same way.

The combination of crowdsourcing and crypto is distinctly worrying, because then, if you crowdsource and every donation is, say, below the £700 or so limit, the legal transparency regime does not really apply, because they are very small donations. If you still cannot even track back to return them if they are wrong or you cannot find out if they are permissible or not, it is very hard to work out whether some of that money is flowing in or not.

One of the projects we have under this plan is to try to work out what those future vulnerabilities are so we can get to them. Talking to fellow electoral commissions around the world, we have not yet seen those being exploited. But there is a slight question of: have we looked hard enough yet to check whether they are? Again, so far, no one seems to be exploited. But I think you are right: this is one of the threat issues.

Lord Sedwill: Presumably, with AI, crowdsourcing might not be a crowd.

Vijay Rangarajan: Exactly. You could disaggregate a donation, send out 10,000 donations of £70, and see what you could do then, reaggregating later on.

The Chair: Do you think the Government, in their proposals, are really focused on the period outside of the election period in terms of understanding the importance of funding outside the election time?

Vijay Rangarajan: The main proposals catch funding in election time. You are absolutely right. The current government proposals do not touch the final structure. We have seen a massive shift in spending from election time to non-election time.

The Chair: What was the increase? We were just told 2024 spending was much higher than in 2019. You can come back to me.

Q27 **Baroness Tyler of Enfield:** Good afternoon. If I may, I would just like to take us back to the overall issue of the powers that the Electoral Commission has and its overall operating framework. Obviously, we have been exploring aspects of that this afternoon. I am sure you will be well aware that there has been criticism that the commission has been too cautious, frankly, in the past, about using the full extent of its powers. I just want you to say whether you feel you have the powers you need and that that is allied with the resources, the independence and the right enforcement and investigative frameworks to do the job that you are here to do.

Vijay Rangarajan: I will start with three issues. The first is that we obviously do not have the power of criminal prosecution, nor are we seeking that. We need to work very closely with the police, and we do, in order for them to be able to prosecute with the CPS when necessary. However, that creates an enforcement gap, which is that there are plenty of offences, such as administrative and electoral offences, which are much better dealt with through regulatory action rather than criminal prosecution. This is partly because it really puts some people off going into politics, because they fear they are suddenly coming in for a criminal action left, right and centre. It is partly because it is disproportionate, and the police, resource-strapped, feel they cannot devote sufficient resource to this. It is also partly because we can dissuade the wrong behaviour and encourage the right behaviour through civil sanctions, or the plenitude of other mechanisms. The Government's Bill, we hope, is going to change a number of these criminal or civil sanctions in ways which we can then regulate. There is slightly less power there, but I think it will be much more effective in the way we do it.

The second is our independence, where, as you know, we have a strong position that we wish the Government to repeal the provisions of the Elections Act 2022 on the strategy and policy statement, because we do not think those help the perception of independence or impartiality of the commission. That is not to say we do not like accountability; we are very happy to be accountable, and we are accountable to the Westminster Parliament, to the Scottish Parliament and to the Welsh Senedd. It is the possibility that a future Government might instruct us to do something that may be not impartial which creates the long-term uncertainty.

On the issue of overall powers, the one that we think we need, and which we have stumbled over several times recently, is the power to be able to more easily share information with other organisations—and to share their information. For example, where the National Crime Agency, the Financial Conduct Authority or various others have information of interest to us, or we have information of interest to them, there are real barriers to sharing at the moment, which are not helpful. But we hope that the Government's Bill will give us a better information gateway. To be honest, we are looking for one like the Charity Commission, where we can easily share some investigatory information with other bodies.

Baroness Tyler of Enfield: Have you been in proactive discussions with the Government on that point, so that they know what it is you feel you need?

Vijay Rangarajan: Yes, extensively. On all the points I have mentioned, we have worked extremely closely with the Government, including deep into the technical detail, because overall, with all these changes, one of our top priorities is to make sure that they are enforceable and implementable. As you will know, the devil is in the detail on many of these. Jackie may have more powers to add.

Jackie Killeen: The other potential change being proposed is an increase in our maximum fine. Currently, our maximum fine is £20,000. The Government's strategy paper sets out a potential increase to £500,000, which could act as a more effective deterrent. We would expect to use that extremely judiciously and sparingly, because our entire focus would be about gearing our resources towards prevention, and with the overall package of measures there is potential for us. For example, if we take on responsibility for the candidate's regime as well as the party's regime, we intend to work very intensively, supporting candidates to comply so that there is very limited need for any of the harder end of the enforcement spectrum. The maximum fine is another proposed change that we would welcome.

Baroness Tyler of Enfield: Given the nature of the discussion we have had this afternoon and the widespread concern about foreign interference risks in UK politics, do you have any specific plans, within your existing powers, to take a more robust approach to foreign interference? What are your plans in that area?

Vijay Rangarajan: We are now pursuing several as part of the corporate plan. As one of your previous witnesses said, public perception of elections in the UK is pretty good. Trust in the way that democracy works is high and, in some cases, rising, which is good. But it is very low on political finance, so that is the area where using these things will be important.

The second, possibly more used, tool is mis- and disinformation and large-scale mis- and disinformation campaigns. We did an evaluation of that in the 2024 general election and the 2025 local elections. We are stepping up our work on mis- and disinformation as a tool, mostly because we have seen it used extremely effectively in other elections around the world, some of which have been annulled. We will need to do a tremendous amount on this. It was a pleasure to host the Ukrainian electoral commission a couple of weeks ago. One of the discussions we had with them was on mis- and disinformation and the tools that they have. We also had the same with, for example, my Swedish, New Zealand and Australian opposite numbers.

The third area of foreign interference where we can do some work is deepfakes. There was tremendous concern among all political parties of the extensive use of deepfakes, in particular of their leaders, on the morning of polling and at various other moments too. We are working with the private sector, the Home Office and others to see whether we can do some deepfake identification, because we are seeing this as a growing tool internationally around the world and the barrier to entry to create a good deepfake is falling very rapidly.

Baroness Tyler of Enfield: Could I just check my understanding of something you mentioned earlier? It is the Government's plans to recategorise administrative offences as a civil rather than a criminal matter. Did I hear you say that you think this is a good thing, that you support it and that it would mean that you would be more effective in deterring that sort of wrongdoing?

Jackie Killeen: Yes, I think so. We would be able to take regulatory action much more extensively if that were the case. Some of these offences are more on the administrative side and, obviously, others are much more on the intent side. With more of these offences within our enforcement scope, we would be able to bring people into compliance. We would be able to use our resources, techniques and tools to work with parties or non-party campaigners to take action, to bring them into compliance and to reserve more serious enforcement action for more egregious issues. We think this would make for a better regime overall.

Vijay Rangarajan: May I just add something? We have about 400 political parties in the UK at the moment; it is an enormous spectrum of capability, size and interest. In many cases, some of the criminal sanctions are clearly disproportionate to what is a tiny party trying to do something, so we would like to help and support them, and we have an extensive programme of training and support to do so. But where a party, for example, is knowingly trying to do something illegal, then yes, of course, we will work with the police to do a prosecution under whatever piece of law, be it fraud or whatever. We will not shy away from that, but the vast majority of what we see is not enforced at all at the moment, because we cannot do it, and the police do not want to look at some of those minor things going on.

Q28 **The Chair:** Finally, I want to turn to trust in the political finance system. We have heard that, since about 2017 or 2018, public trust has been falling dramatically and very quickly. What do you think needs to be done to restore trust in what is such a crucial part of our democracy?

Vijay Rangarajan: I think you are right. Our figures show fairly high trust in many aspects of voting, but it has gone from 30% in 2014 agreeing that party spending and funding is transparent right down to 18% now. Only 25% of the public think they can find out who funds political parties. So transparency is a very large part of this. For the public, media, parliamentarians and candidates, understanding and knowing who is funding what and having real transparency—

The Chair: What do you think triggered that inflection point?

Vijay Rangarajan: There was an inflection point in the graphs. I do not know whether we know what the trigger was—or whether there was a trigger or a steady stream of issues that the public thought were not being dealt with. There is rising trust in enforcement: it has gone from 33% agreeing, in 2023, that rule breakers would face consequences, to 40% agreeing now. I think part of it is transparency, and part of it is clear and impartial enforcement of the rules and real explanations. We need to explain more clearly what the rules are and what needs to be done, and be seen to be impartially enforcing that.

The third thing is timely information. One of the weaknesses of our system is that we publish information, on both donations and spend, a very long time after the event. The more we can bring that up to speed, the better. One of the projects we have under way is trying to improve the political finance online system because it is very burdensome on parties and on my team but also because it is very slow. The quicker we can make that, the better. That will help. There may be other things to do. Jackie?

Jackie Killeen: With all those, we also want to be mindful of the burden on parties. Some of those reporting obligations can take them a long time, so we are constantly looking at how we can streamline and simplify, but within the legal framework as it stands. The only other thing I would add to what Vijay said is that, although I do not want to attribute, I suppose the role of social media in the way politics is discussed might have a role in trust as well.

Q29 **Sir Gavin Williamson:** We have obviously focused a lot on cash. If I was the Secretary of State and I or my political party had received £1 million in cash, and I subsequently had numerous meetings with the people who donated that cash, would you feel that that raises questions?

Vijay Rangarajan: Yes, it would, and we would hope that it was caught, partly by the close working that we have with the register of Members' financial interests and the conflict of interest declaration. Obviously, it would need Ministers or the Secretary of State to declare that they had done it. This concerns the timeliness. One issue we have seen is a whole lot of meetings happening after a donation but the donation itself becoming public, only, say, a year later. Therefore, much more timely reporting on that would help as well.

Sir Gavin Williamson: Do you not think, though, that one of the gaps in this legislation has been the lack of addressing of union funding, where it is quite normal to make substantial donations of many hundreds of thousands of pounds and then see immediately, as a response, the ability to have an unprecedented level of access to meet Ministers, both at Secretary of State level and junior level, and legislation coming very hot on the heels of that? I agree with you that it is important to make sure that money is accountable, but it seems to be an area that has not been touched on in this legislation at all. Is that correct?

Vijay Rangarajan: We have not seen the legislation, but, as I understand it, it is not in the legislation. There is nothing there about meetings with Ministers for any donor, be it corporate, union, private or an NGO—a non-party campaigner. The focus has been on the foreign donations aspect. Union donations are clearer about where they are drawing from—their members—and there is less of a threat or a risk than what we can see from company donations that could come from abroad.

Sir Gavin Williamson: But surely there is a great threat coming from a campaign organisation that has a clearly set number of campaigns and therefore makes large political donations, and then gets in return exactly what it asked for.

Vijay Rangarajan: Jackie may say this better than I can, but, because they are large donors, they fall under a particular transparency regime—the non-party campaigner rules. So they do, in a way, because they are significant donors, have to declare who they are donating to, and we publish those donations.

Jackie Killeen: We publish them in the general election spending returns that I mentioned.

Sir Gavin Williamson: Would you hope that any future legislation—even though there is not an indication at the moment—maybe goes towards tightening this up? There does seem to be a whiff of corruption when, as a trade union, you give a large donation and then get your pick of the legislation afterwards.

Vijay Rangarajan: I do not think we would see that see that as something that falls within electoral law, to be honest. It is very much more for Parliament and the rules here on RMFI, which we obviously work with but is very separate and within Parliament. I guess it is then for the Government and propriety and ethics, and the new integrity commission, to look at whether those rules would actually work. It is out of our remit.

Sir Gavin Williamson: But it is within the spectrum of the wider trust within the political finance system, which you are obviously particularly concerned with.

Jackie Killeen: That is why publishing all those donations, including from unions, is our key role in that, as well as interrogating the accuracy.

Sir Gavin Williamson: You are politically impartial. As a Conservative representative, I am concerned about this, and I wonder, on behalf of myself and many other people, how many times you raise this with Ministers as a concern, making sure that you are representing a broad range of concerns, not just a certain spectrum. I know that many Conservatives are deeply concerned about this, and you are politically neutral, so can you detail—and maybe send the committee—how many times you have raised this issue or area of concern with Ministers?

Vijay Rangarajan: I can go back and check what my colleagues have done. I have not raised Ministers meeting anybody after a donation with Ministers themselves. The control mechanisms for that are not something we have any powers on or could prosecute, but it would be very much for others.

Sir Gavin Williamson: I am talking about the issue of union political donations.

Vijay Rangarajan: I will check.

The Chair: Perhaps that is something you could come back to us on.

Q30 **Liam Byrne:** Briefly, I wanted to check the conversations that you have had with Ofcom about algorithmic amplification. Obviously, parties raise money to spend on social media in between election periods. You do not need that money if you have friends who run the social media platforms and they have written the algorithms that get your content in front of voters for free. So what conversations have you had with Ofcom about the necessity either to declare the value of algorithmic amplification—in effect, as a gift in kind—or to regulate algorithms differently in the future?

Vijay Rangarajan: We have begun that conversation with Ofcom, not least because it has a duty under the Online Safety Act to produce various guidance about this. Trying to work out the value of an algorithmic bias in cash terms, for a UK political party—

Liam Byrne: X has valued it, because it writes a cheque for it that goes into the bank accounts of a number of politicians who work here.

Vijay Rangarajan: Yes, but that would be a donation, whereas what we are saying is that they would just tweak an algorithm to promote some politicians over others. I think we have more fundamental problems, which are with the concept of social media and algorithmic bias as a whole and the way that it can be used. Some interesting academic evidence is now being produced on the use of algorithmic bias by social media companies in some elections around the world. That would be extremely worrying, not least because all the financial consequences and transparency we could do would be after the effect, and it could very much happen during the election itself.

Liam Byrne: I mentioned investments in a particular media system. When we mapped the online presence of that system and looked at the accounts, of which about 30,000 were studied, we found that about 80% of the top 200 influencers in that ecosystem were American. Significant investment is going into building a media ecosystem that offers a particular political advantage to one side rather than another. That must surely be a concern of yours.

Vijay Rangarajan: You are absolutely right: this is a significant concern. Over the coming years, and very much with Ofcom, we will need to look partly at the role of mis- and disinformation and, more broadly, at the role of social media companies. To date, we have mostly focused on the abuse and intimidation of politicians, which many of you and your colleagues will have experienced in the general election. When we saw social media companies hosting material that was abusive, intimidatory or threatening, we acted and asked them to take it down, which most of them did quite well. We are doing quite a lot of work with them now on the sort of internal guidelines and rules that they need to have to make sure that some of the intimidation and abuse does not happen. But that is only an early step that is responding to the problem we have at the moment. More broadly, how we deal with the systemic bias in their algorithms is something we are only just beginning to tackle.

Liam Byrne: But you think it is something that we have to get into.

Vijay Rangarajan: Yes, we definitely have to look at that.

The Chair: Have the DSIT, DCMS or MHCLG Select Committees been having conversations with you about that?

Vijay Rangarajan: I think I raised it in front of the MHCLG committee at one point; I have not appeared in front of the DSIT committee on this. We are now looking, to quite an extent, at the question of who is holding the democratic ring and where information sources are coming from. We are also trying to do some work on digital literacy in schools, because if voting at 16 comes in we will have to do a lot of work on that, and this will be part of it. Digital literacy is probably partly the answer, so that young people have an appropriate degree of scepticism when they look online and think, "Where am I getting my information from and is it right?"

Q31 **The Chair:** You talked about the penalties—Jackie, you talked about the fines potentially going from £20,000 to £500,000. Given the figures we have been talking about, even £500,000 does not sound like a concern for the sorts of people who might be donating significant sums of money. When the outcome of an election has been decided, and you subsequently uncover that money donated in the last months or weeks or whenever of the electoral cycle broke the rules, what would happen? Would you really try to turn around an election result?

Jackie Killeen: That is a hypothetical scenario.

The Chair: But we have seen extraordinary things in the United States, with a certain person giving people money just to register to vote. That could happen here, surely. The point is, as we have seen, certain things have happened in our democracy around votes that would have been concerning, but the risk is that a lot of money floods in, it is too late and you are then in this invidious position. What do you do? Do you just say, "Oh well, we'll fine them", or do you annul the election?

Jackie Killeen: I do not know whether it is in our power to annul an election.

Vijay Rangarajan: That would be an election petition, and an election annulment would have to go through the court system. You are right that someone could try to flood in money, which is why the immediate transparency will be useful. The £500,000 is per offence and in addition to forfeiture of the donation, so it would be quite significant for any political party. They are all saying that this would be a significant amount of money and a significant dissuasion. They would give up their multimillion-pound donation and be fined £500,000, which not many of them have at the moment. We think that is probably sufficient to act as a real dissuasion.

The final point I will make is that our fundamental goal here is not to strip the political parties of money but to make sure they have sufficient money from permissible donors so that they can reach voters. We want to support them to go and campaign well. As Lord Watts and others have said, we can discuss the exact level of how much is needed, but they need some money, from good sources, which is trusted by the public, to go and do the things they do, produce good policies and campaign well.

The Chair: I think we will leave it there. Thank you very much for your time. I think we might have tested your patience in terms of time; we are a bit over. I know that you have to get to an appointment, Jackie. It has been very useful. We will follow up with certain questions that we want to raise with you in writing. That concludes our second panel and this part of our "Defending Democracy" political finance session.