

Housing, Communities and Local Government Committee

Oral evidence: Modernising Elections, HC 43

Tuesday 30 June 2026

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Members present: Florence Eshalomi (Chair); Mr Jonathan Brash; Lewis Cocking; Chris Curtis; Ashley Dalton; Mr Will Forster; Mr Gagan Mohindra; Sarah Smith.

Questions 104 - 148

Witnesses

I: Philip Rycroft, Author of the Report of the Independent Review into Countering Foreign Financial Influence and Interference in UK Politics.

II: Dr Susan Hawley, Executive Director, Spotlight on Corruption; Duncan Hames, Director of Policy, Transparency International UK; Dr Sam Power, Lecturer in Statistical Science, University of Bristol.

Examination of witness

Witness: Philip Rycroft.

Chair: Welcome to the Housing, Communities and Local Government Committee. My name is Florence Eshalomi; can I ask Committee colleagues to introduce themselves, please?

Mr Brash: I am Jonathan Brash, the MP for Hartlepool.

Sarah Smith: I am Sarah Smith, the MP for Hyndburn.

Mr Forster: I am Will Forster, the MP for Woking.

Mr Mohindra: I am Gagan Mohindra, the Conservative MP for South West Hertfordshire.

Lewis Cocking: I am Lewis Cocking, the MP for Broxbourne.

Ashley Dalton: I am Ashley Dalton, the MP for West Lancashire.

Q104 **Chair:** This is our third session in our inquiry on modernising elections.



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Can I ask our guest to introduce himself, please?

Philip Rycroft: I am Philip Rycroft, a former civil servant, and I am responsible for the eponymous Rycroft review.

Q105 **Chair:** Thank you for joining us. There have been concerns over the years around elections and how political parties are funded; political party donations continue to be in the news. As Members of Parliament we take an interest in this key issue. You were tasked by the Government to recommend improvements that would mitigate risks from foreign interference. What did you find out about the threat across the landscape?

Philip Rycroft: The focus of my review was on foreign financial influence and interference: it is important to stress that I was not looking across the whole system. The review covers that territory, and I hope you have had a chance to absorb it. We spoke to a lot of people in the course of the review, including yourself, Chair, and nothing I heard led me to think that the threat was not very real and persistent. There are foreign actors who wish to undermine our democracy; given the geopolitical context and the technology changes that enable interference in different ways, the threat is very real.

As I said in the report, I believe that our democracy remains robust. We have a very competitive political party landscape, as we saw in the recent May elections. Most people have confidence in the way that our elections are conducted, but they have very low confidence in the system of party political funding. Although I was not pushing the panic button, we absolutely cannot be complacent in this context. It is fundamental to our democratic process that people trust the way that politics is funded in this country: hence the recommendations I have made in my review in order to tighten up the system and in particular to stop money from foreign sources leaching into our politics.

Q106 **Chair:** You have highlighted that our democracy is in a good place, but that there is a threat to democracy if this is not challenged. When you look at elections, funding, and donations, this does not sit just within the Ministry of Housing, Communities and Local Government; there is interest from the Treasury and the Cabinet Office, and in terms of foreign interference, there is interest from the Home Office. You have therefore recommended a new permanent secretary with the responsibility for sustaining democracy. Can you give us an update on why you think that role is important?

Philip Rycroft: I am glad you raised that, Chair, because if you hadn't, I would have wanted to make that point. It was my final recommendation; as an ex-Whitehall warrior, it was very important to me that the system should be able to respond effectively to these threats. If you peel away the layers of Government, defending the realm, sustaining the rule of law and sustaining our democratic processes is at their heart. That is absolutely fundamental, but you have to go quite a long way in the



system to work out who is accountable for that in civil service terms. I have a lot of experience in this domain from another perspective: the territorial integrity of the Union of the United Kingdom, for which I was responsible during my time in Whitehall.

These big existential issues are important for the country as a whole, but Whitehall tends to have a slightly soft focus, if I could put it that way. We had the defending democracy taskforce, which was ably chaired by Dan Jarvis—one of the Ministers I reported to in this review—but behind that there is no infrastructure in the civil service with a proper system of accountability for civil servants to drive this agenda forwards, so my recommendation is that there should be somebody sitting around that permanent secretary table—it does not have to be a new permanent secretary—who is accountable to Ministers for this agenda and has the infrastructure behind them to properly co-ordinate Whitehall.

Let me give an example. If you look at the threats coming from foreign actors in the online environment, it is difficult to find out who in Whitehall is responsible for owning the problem, understanding it, quantifying it and then directing solutions to it. You could almost say that the fact that my review was necessary was an indication that there was no one part of Whitehall that could effectively cover this territory, and no one official I could sit down with to go across the whole domain of the work I was looking at.

Q107 Chair: You highlighted the reality of the threat in terms of bribes in the prosecution of Nathan Gill. You also saw the security alert issued by MI5 in relation to Christine Lee. The Government should be taking this seriously and having someone named would give it that focus.

Philip Rycroft: In those cases—they are quite rare—you are seeing things that break the surface and where there is a direct suborning of the political process. Let me say this publicly: as I have pointed out in my review, I have worked with a lot of politicians over the years, and they mostly work for the public good. They do a difficult job in difficult circumstances, and they do it honestly and to the best of their abilities. These threats are quite rare, but there is a persistent undercurrent of foreign actors seeking to destabilise our democracy. Nowadays that is not just through direct financial routes but through online influencing. Someone is spending money on this—not necessarily in the UK—and creating a context where they are seeking to destabilise politics in the United Kingdom. The Government need to be alive to that threat and deal with it.

Q108 Chair: The Government have not responded to your review yet. Do you see the problems you have identified as being urgent? We understand that there is a lot going on, not only within local but national and international politics, but if we are serious about defending democracy, should the Government be directing more focus and attention to this now?



Philip Rycroft: They immediately responded to two of my recommendations on the day my report came out, which you might want to talk about: first on crypto, and secondly on donations from British electors overseas. They said that they will bring amendments to the Bill that you are considering, essentially with retroactive effect. I was very pleased to see that because it indicated that they are taking this seriously.

They have not yet responded formally to the rest of my review. I hope that happens before very long, and that where necessary it will result in amendments coming into the Bill. Some of what I am recommending is relatively straightforward; some of it is quite complex in statutory terms and is not going to be easy to define in law. The Bill is clearly an opportunity to get things on to the statute book in good time, but it is by no means the end of the story. My review was about foreign financial influence and interference, but I leaned a little beyond my remit from time to time in thinking about other dimensions that open up a broader perspective.

Q109 **Sarah Smith:** You have mentioned a couple of times the threat of what is happening in the online world, specifically social media. That was a small section in the whole context of your report, and I recognise the barriers between what was within your scope and what was outside it. Recently, Hope Not Hate issued a report looking at the issue of algorithms and in particular what those are doing to different genders. Depending on whether you are a man or a woman, you can very quickly find yourself being pushed towards a particular political agenda, which is evidence for the issues you have raised. You mentioned that it might be sufficient to have greater transparency for algorithms but I want to push you a little on that. What do you think is needed to get a handle on the impact of social media on our democracy, and where do we have to have the discussion around the freedom of speech question?

Philip Rycroft: You are opening up a very big subject domain, which goes well beyond the review. I will focus on my review and what I was looking at first, and then I will come on to those bigger questions. I was looking explicitly at hostile state interference online, and what the powers that be—the Government working with social media companies—can do about it. They can get it taken down; indeed, some social media companies will say that they do that, record it, and say what they have done and why they have done it. My concern in looking at this was that the Government did not fully understand—or at least did not make public—their view of the quantum of this threat and what is going on; nor have they done studies to understand the impact of it, which is hugely important. If you do not understand those two things, your attempts to deal with it are ultimately going to be misguided.

There is another dimension, which is that the Government can hold their cards pretty close on this stuff, and there are understandable national security concerns. But if ordinary citizens are looking at something like



this, they need to know, “These are examples of foreign state interference, and if you see this stuff on your social media feed, be aware of it, be wary. You might agree with it; that is up to you, but at least you will know where it is coming from.” There is an extraordinary example that I used in the review: when the Iranian web went dark earlier this year, there was a sudden drop—around 30%, someone told me—in malicious commentary about Scottish independence. Yet nobody could say to me, “Yes, this is a thing, this is real, and this is what we have done about it.”

In terms of my review, that is really important, but you have opened up this broader context. Clearly, we are dealing with a technology that is still new; if you think about it, it has only been around for two or three decades. In the grand sweep of history, it is a very new technology that is having a huge impact on our lives, a lot of it for the good. Let us not forget that social media, in terms of connectivity and knowledge—indeed, in terms of the political process—enables more people than ever in history to access the political process and to make their own views known. There are all those benefits, but with them comes extraordinary risk. I spoke to a lot of politicians in the course of my review: top of the list for most of them, because of what they experience on the doorstep day to day, was the coarsening of the political discourse. Social media has given people permission to publicly express views that were previously thought unpleasant and not fit for public consumption. How you deal with that without interfering with people’s freedom of expression is very difficult.

It is pretty straightforward if a malign foreign state is doing this—we get them off the social media feeds—but if it is coming out of bedrooms in towns and villages up and down the land, that is a different matter. This is way beyond my review, but clearly education—how people understand what they are seeing and how they deal with it—is important, and there are many other things that I allude to in the report, but ultimately there has to be some regulation of this space. When we talk about the algorithms, it seems to me that is where we need to be thinking about this differently. In the days when online platforms were essentially an open field for people to express their views without direction, social media companies could argue, “This is an open space and all we’re doing is providing the context.” But there is so much push now; they have crossed that line from providing an open space to being publishers. You would not allow anybody to physically publish this stuff, so why is it happening now?

Chair: These are questions that we will continue to ask as we go forward.

Q110 **Mr Forster:** Your review spent a lot of time talking about crypto donations. Another Member of Parliament, Nigel Farage, is in a lot of trouble for taking a £5 million donation. Is the main issue with crypto donations that they cannot be traced so that we—or more accurately, the public—do not know who is buying political influence?



Philip Rycroft: Let me be absolutely clear: I did not adjudicate on any individual instances of donations from anyone, and I did not look at any individual political party; I was looking at the system as a whole. My remarks are not associated with the individual you have named. The question of money received by potential candidates is something that we may want to come on to, but I addressed it in the report.

Crypto is a separate, stand-alone issue. The Government have accepted my proposal that there be a moratorium on the donation of crypto assets to political parties, in essence until the regulatory regime catches up with what is happening in the crypto world. Personally, I have nothing against crypto as a means of exchange; it is essentially just that. It is a means by which value can be transferred around an economic system. It clearly has some advantages in terms of the cost of transaction and so on, and there are a lot of defenders of crypto as a perfectly benign economic vehicle. Some crypto is very traceable; some people would argue that some crypto is more traceable than fiat currency, in other words cash and particularly donations in cash. I accept all that, but there is quite a lot of crypto where the traceability is not well established.

My concern was with the political parties that are potentially taking crypto assets. It has to be said, there are very few donations that have been made hitherto in crypto assets, and it is not a big problem right now. My concern is that it has become a big problem because of the difficulties for both political parties and the Electoral Commission to fully understand where those funds come from and who is the ultimate owner of the wallet. From the perspective of a review that is looking at foreign financial influence and interference, that is hugely important. My recommendation was to hit the pause button and wait to see how the regulatory regime on crypto develops. It may be that in three, four or five years' time, you will be sitting around a table as a Committee looking at this and thinking, "We are confident that if a political party takes a donation in crypto assets or a particular class of crypto assets, the ultimate owner of that wallet will be absolutely traceable and we understand that fully." That is the thinking behind that recommendation.

Q111 **Mr Forster:** You want a moratorium until there is a regulatory framework; what do you assume will happen in the meantime before that temporary ban is initiated?

Philip Rycroft: The Government have said that the ban is already in place; the legislation is not there yet, but it will have a retroactive effect. That is wise, as otherwise there would be the risk of a flood of crypto assets into the political process in advance of the moratorium coming into place. But the authorities are not sitting on their hands, they are already working on the regulation of crypto—not in this space, but the Bank of England, the FSA and others are thinking about how you control and manage crypto in terms of the security of our financial system and understanding the flow of money through our financial system. All that work is carrying on, and hopefully it will reach the point when you, as



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parliamentarians, can have confidence that it is sufficiently robust to allow donations in crypto assets into the political process. The system has to be seen to be absolutely robust in terms of where money going into the political process is coming from. It has to be held to a very high standard, and in terms of the traceability of crypto assets I do not think those standards could be met at the moment. That is why the regulatory regime needs time to catch up.

Q112 Mr Forster: What mechanism should Parliament use to decide that the regulation of crypto is enough to remove the temporary ban?

Philip Rycroft: I would look to parliamentarians to be self-actors in this. You understand the way the world is working; you have influence and agency in this area. This Committee should be working closely with the Electoral Commission because ultimately, the Electoral Commission has to manage the system. If it reaches the point of saying, "In the balance of interests it looks to us as though the regulation is sufficiently robust, and we are confident that if you allow donations in these classes of crypto assets, we can manage the regulatory risk robustly," that would be the moment I would say, "Okay, fine." That would be a prompt to the Government to legislate to allow crypto assets. I would just emphasise that there is nothing ineluctably wrong with crypto as a means of exchange. The issue is with the interface between crypto and the political process at this stage of the evolution of crypto as a means of exchange.

Q113 Mr Forster: I have a final question. Since your review was published, there has been a lot of concern over wealthy overseas donors being able to circumvent the overseas donation cap. Would you change your recommendation based on this latest information?

Philip Rycroft: Correct me if I am wrong, but I think you are referring to those who are domiciled abroad and who say, "I'll come home then and become a British resident and make my donations as a British resident." They are perfectly entitled to do that, and if they bring their wealth home and that wealth is taxed in the UK, then they should be subject to the same rules as everyone else. Of course, there is no cap on domestic donations, but the key point is that their wealth has to come back to the UK and be taxed in the UK, which is where they are domiciled. My point about overseas electors is that if there are any concerns about those donations, then by definition it is a lot harder for British authorities to follow the trail to find out where the money is coming from because you are dealing with foreign jurisdictions. That is what drove my concern about overseas donors.

Very briefly, I also said—you can take this one or leave it—that this is a question of fairness. If you have decided as a British citizen to take your wealth abroad, there is absolutely no problem with that at all. But from a public perspective, there is a question of fairness when you are not paying taxes in the UK but can still make potentially game-changing donations into British politics. Most citizens—most of your constituents—would look askance at that. Why is that going on? What are these people



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getting in return for those donations? I am recommending this applies to sums of money between £100,000 and £300,000, which will still allow some donations to come in; that donation source will not be cut off altogether, but even £100,000, for most people, is an enormous sum of money. The political class needs to be very careful about how this is presented in terms of confidence in the system as a whole.

Chair: I am mindful of time; we need to move on. Lewis and Jonathan, very quickly, please.

Q114 **Lewis Cocking:** I have a follow-up to Will's question about the regulation of crypto. You were asked when there would be enough regulation to lift your recommended suspension; you gave a long, detailed answer, and I want to make sure that I have understood it correctly. Are you saying that it is not up for you to say when there is enough regulation; it will be up to politicians to say, "We're happy with the regulation, so we can lift this ban?" Is that a fair summary of your answer?

Philip Rycroft: Yes, that is a very fair summary. It will not be up to me; hopefully I will retreat to my hill in Dumfriesshire in good order. The subtext of my review is that I am talking to the political class as a whole; you have agency in this context. As parliamentarians, you have a huge responsibility individually and collectively to sustain our democracy. Ideally, I would personally like to see the initiative on a lot of these things coming from within this institution and on a cross-party basis. But of course you need to be guided on that and you have a very effective guide in the form of the Electoral Commission that understands this stuff and has to enforce it.

Q115 **Mr Brash:** There has been a lot of media speculation around the manoeuvres that certain overseas donors could make in order to circumvent the rules. It seems that is what you are saying. Can you clarify that you are saying it is not sufficient merely to register to vote in this country to get around these rules?

Philip Rycroft: The rules at the moment say that if you are on the electoral register, you can make donations, and that is pretty much it. I am saying that if you are living abroad and registered to vote, clearly, you would still have that vote and you should still be able to make donations, but there should be a cap on those donations. If someone changes their residence status by returning to the UK, by definition their residence is in the UK and the rules that apply to any other UK resident would apply to them. There cannot be a different set of rules for those who live abroad and then come back to the UK. But the key point I come back to is that a lot of this is about public perception. If you are paying your taxes in the UK, you should be able to make donations to the political process as a UK resident.

Q116 **Chair:** One of the other areas that comes up is around company donations, including companies based overseas. A number of us on this Committee are linked to all-party parliamentary groups. Following the



last general election, there were many changes to all-party parliamentary groups because of concerns that some groups were funding Members of Parliament to take trips and that this could be linked to political donations. A number of different sites have reported on this; Declassified had a report on one specific APPG in relation to trips to Israel, and another in relation to trips to the middle east. I will refer Members to my entry in the Register of Members' Financial Interests. In terms of company donations, can corporate donation limits make a meaningful difference if it is not a circumventable limit?

Philip Rycroft: There are two issues there. The first is about corporate donations in the round; the other is about how APPGs and indeed other institutions in the penumbra of Parliament, such as think-tanks and "friends of" groups, operate and how they are funded. I have tried to make clear in my report that this is not about bearing down on the richness of policy debate through APPGs, "friends of" groups, or think-tanks; these add huge value to the policy process. There is a dearth of good policy-think in this country, so these all add lustre and are hugely important. Any regulation of that space has to be careful not to so act in a way that limits proper debate.

In terms of APPGs, again these are parliamentary bodies and they are managed by the parliamentary authorities, not the Government. It seems to me that there is a responsibility for parliamentarians collectively to ensure that the public can trust what is going on there and to understand how these organisations are funded. As a minimum there should be a self-denying ordinance that, if you do not understand where the money is coming from, if it might be sourced from foreign places, then—

Q117 **Chair:** Do you think the know your donor provision in the Bill will strengthen that?

Philip Rycroft: Know your donor will certainly strengthen it for political parties. The funding for APPGs is different and their regulatory regime comes through the parliamentary authorities. I did not have time to get deep into that; the whole domain is worthy of further work, and that is one of my recommendations. On the issue of corporate donations, I will preface this with a quick comment on people's broader understanding of how all this works. There is very little public appetite at the moment for complete public funding of political parties through short money and so on. You may tell me I am wrong on this, but with that whole wider domain—

Chair: There would be an outcry if Restore was being funded from the public purse.

Philip Rycroft: There is no major political party advocating that. Other countries do it—personally I think there should be a bigger debate about that—but now is not the time. The point I am making in my report is that political parties are essential to the democratic process, including the work you have to do in developing policy, canvassing and all the rest of



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it. You need to get money from somewhere. That money is going to come from private sources—either individuals or corporates—but because of the risks in public perception and people's understanding of this, the regulation needs to be robust.

The toughening up of regulation on corporates that is already in the Bill is hugely important and very welcome, as are the rules on unincorporated associations and the know your donor checks. In terms of corporates, I recommend a further tightening from revenues to profit and that only one donation can be made in the course of a year. You cannot donate your revenues multiple times to different political actors.

Q118 Chair: Many constituency MPs have small businesses within their areas that want to donate and support us as individual candidates. They are not turning over large profits but their donations might outweigh their revenue, and there could be a blurred line between how they are able to make such large donations when their returns are showing much smaller figures.

Philip Rycroft: This again comes back to public confidence. I am proposing that you narrow the pass through which corporate money can come in such a way that those who are guarding the pass—the political parties themselves—have to understand where the money is coming from and ensure that it is coming from permissible sources. You will then make the job of the Electoral Commission and other authorities easier.

If you are doing this on profit rather than revenue, you know that tax has been paid in the UK; it is then easier to discern how that profit relates to the cost of doing business and understand how that money is coming from the business. If you are doing it just on revenue, pre profit, how does that revenue relate to the cost of doing business? Is the company a going concern? Is it still going to be there in two or three years' time? Whose money is it, actually? What about creditors, shareholders, funders, and so on? My argument is that this should be done post profit because that will make it clearer.

Q119 Chair: So no corporate body or company will be able to donate until they post their registered profits.

Philip Rycroft: The Bill already restricts which companies can donate: people with senior control have to be located in the UK, and so on. In order to make a donation, you would have to be able to demonstrate that it comes out of profit. Now there are some misconceptions about this: some companies do not make a profit, or they do not distribute profit. A social enterprise, for example, may well make money which would score in corporation tax terms as a profit, but they do not describe themselves as a profit-making business. That would be a legitimate source of funds; they are making a profit in the broad sense of the word.

Q120 Chair: It would be post-tax profits, is that correct?



Philip Rycroft: Exactly, yes. The other concern is that bigger businesses may have a fallow year when they are not taking a profit because they are investing back into the business. You can have a mechanism there where you can have a window of opportunity for your profits over a two or three-year period but the point is that it is always coming out of post-tax paid profit.

Q121 **Mr Brash:** The Bill proposes to tighten the rules in this space in a number of different ways, but enforcement will always be the key issue. Does the Electoral Commission have the teeth to be able to do this effectively?

Philip Rycroft: I am proposing it gets more teeth in terms of its ability to require information of the entities that it is regulating and to require other regulators to share information with it. It is peculiarly inhibited in those areas, and I do not understand why. It seems to be perfectly sensible that it gets those teeth, and that would go a long way to improving its ability to manage this with political parties in an effective way. It should not be having an antagonistic relationship with political parties, and it does a huge amount, as you know, to support political parties in terms of getting it right.

Electoral law is immensely complicated, and your electoral agents will spend many hours with cold towels around their heads trying to manage it. Political parties, both new and old, need support, and need the Electoral Commission to be there and help them understand everything. But the Electoral Commission should be rightly responsible for the proper administrative management of those electoral laws by political parties. I do not think it should be a prosecuting authority; if the line is crossed and prosecution is required, that should rightly be done by the police and the Crown Prosecution Service, not the Electoral Commission. In terms of its administrative duties, the relatively modest recommendations I am making in my review would go a long way to ensure that it is the effective regulator it absolutely needs to be.

It is also very welcome to see, first, that the Government are backing away from the clause in the Elections Act 2022 that required the Electoral Commission to have regard to policy statements from the Government; that inhibited its regulatory independence, and it is hugely important that the electoral regulator is seen to be independent. Secondly, it was welcome to see that its resourcing went up. It reports to Parliament but it cannot do its job unless it is well resourced. This is not a plug on behalf of the Electoral Commission—it can make these arguments itself—but from a parliamentary perspective, you need the confidence that the electoral regulator is well resourced enough to do its job properly.

Q122 **Mr Brash:** Your review did not touch on the issue of fines but given that at the moment eye-watering—in some cases—amounts of money seem to have been raised from various sources, do you think the proposed maximum of half a million pounds is enough?



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Philip Rycroft: That is beyond my scope because it relates to the general management of the electoral rules. It is quite a big increase from what is there at the moment. Looking at the whole system and its health, it is welcome from my perspective.

Q123 **Mr Brash:** Can you give me a little clarity as well? For example, a donation of £5 million—to pick a number out of the air—has been made and is found to have been given illegally as far as the Electoral Commission is concerned. It can levy a fine of half a million pounds. What happens to the money that has been donated? Should it be repaid, or should it be surrendered?

Philip Rycroft: Again, you are tempting me to litigate individual cases and I am not going to go there.

Mr Brash: I mention no names.

Chair: We are impartial on this Committee.

Philip Rycroft: The key point across the whole system is that if money comes in that is impermissible, it should come out. There should be no ifs, buts, or maybes about that. If a political party takes money from an impermissible source, it should be returned. In addition, if the Electoral Commission—or in the case of a prosecution, the wider authorities—think there has been any malfeasance, a fine would be appropriate. As I say, I am not litigating any individual cases but those two basic principles seem to be fair.

Q124 **Mr Brash:** Do you think it should be returned, or should it be surrendered? Is there not an issue with motivation on a donor's part?

Philip Rycroft: Again, you are stretching this beyond my remit so I am not going to give you a yes or no answer. In terms of the principles that underpinned my review, transparency is absolutely paramount. It may vary from case to case but there is always the sniff test: what would the public think? What would they think is right, given the case? That may alter the determination.

Q125 **Chair:** As it stands, the Electoral Commission can bring forward civil sanctions but it cannot initiate criminal proceedings; those must be referred to the police. Going back to Jonathan's earlier question in terms of the Electoral Commission's teeth, if an individual receives a large donation and is able to keep a substantial amount of it, does that not go back to whether the Electoral Commission needs more prosecuting powers? How would the Government address this to deter others from making donations?

Philip Rycroft: In terms of exercising its powers through administrative sanctions and so on, if you think there is a lacuna in those powers in terms of ensuring redress where impermissible donations have been made, then that is a gap that needs to be plugged. I am not aware that there is such a gap, or that if there is an impermissible donation, the



receiving party cannot benefit from that donation. It is a different question where there has been malfeasance where somebody has broken the law and a prosecution is required. It does not happen that often and people need to understand that it is not an everyday occurrence. In order to sustain a prosecuting capability, the Electoral Commission would have to put a lot of resource into doing something it does not do very often. It is more effective in bureaucratic regulatory terms for that prosecution to be led by those that do it every day of the week: the police and the Crown Prosecution Service.

When looking at the reform of the policing system in England, I have made a recommendation about concentrating police resource in a specialist unit. It is not for me to determine where that should be, but it should have a day-to-day understanding of what is a very complex area of law so that it has the capability and expertise to pursue cases where malfeasance is suspected. At the moment, I get the sense that such a capability is dispersed across different actors in that space.

Q126 Sarah Smith: Your review also noted concerns that the concept of a regulated period before elections is no longer appropriate. Can you explain a bit more about what you have heard about this and why you have raised the issue?

Philip Rycroft: A lot of people are talking about this, and those who follow me will have commented this morning too. I did not hear anybody saying, "Oh, no, a regulated period as it stands is still a fit-for-purpose mechanism for this day and age." Again, you are far more aware of this than I am but the context is where campaigns of different sorts are going on all the time; the world has to change and adapt to the way that social media operates.

Just to give you an example, a political party could spend a huge amount of money outside the regulated period in building up its social media presence, and then not spend very much money at all in the regulated period because all the heavy lifting has been done. I was also concerned—as you will see from the review—about non-party campaigners and what they do outside the regulated period, and indeed candidates before they put in their nomination papers. There is a lack of transparency about where people have had support—in the terms of my review—for campaigning purposes.

If my recommendations are accepted this will set quite a challenge for the drafters of legislation because you have to be able to define campaigning in a way that does not necessarily relate to an election. It is fairly easy to say, "I am promoting this candidate or this party outside an election period." Defining a campaign is tougher, but it is necessary to take that challenge on. Again, from my perspective in my review, at the moment there is no inhibition on foreign money coming into that non-party campaigning outside a regulated period, and that is not acceptable. All the money coming in to support this should be coming from permissible sources.



Q127 **Sarah Smith:** Do you think we should be moving to an annual spending limit regime? Did you hear much about the potential bureaucratic burden that this might place on candidates and voters?

Philip Rycroft: We are looking at different aspects of the system here. Political parties already have to make annual returns or quarterly returns: the major parties are well accustomed to that. It comes down to transparency. It seems to me to be a quid pro quo: if you are active in a political space, you owe it to the public to be transparent about where you are getting your money from and how you are spending that money. That should apply to political parties and to non-party campaigners.

Spending limits are a different question. Again, this goes beyond my review, but I do lean into it a little. The spending limits for political parties are really quite high, and they went up a lot in the 2022 Act. The risk is that you create an arms race because you are worried about the other lot out-competing you in raising money and spending that money in a way that inhibits your chances of winning an election. That competition forces parties to look very hard at where they can raise money.

It is very simple: if you reduce those limits, you take some pressure out of the system. So one of my non-recommendation recommendations is that, as part of the debate about the Bill—again, I look to the political class and to parliamentarians to think about this—should those spending limits be reduced? In an analogous way, should limits be placed on donations in a domestic context? If my recommendation on overseas donors is accepted, it will be the first time there has been any limit put on donations. But having set such a precedent, is it one that you as parliamentarians would wish to follow through?

Chair: We are going to segue nicely into that with Ashley.

Q128 **Ashley Dalton:** You have answered my questions to an extent, but don't worry. You already mentioned that some figures have suggested that universal donation caps and lowering spending limits is the way to meaningfully reduce the influence of foreign money and I wanted to dig a little deeper into that. You have touched on the fact that you see this as beyond your remit, but could you talk a little more about how it is beyond that remit and what you think the usefulness might be? As you have said, there is no appetite at the moment for the state funding of political parties, and we have touched on the fact that not everybody involved in politics is a political party. There is an issue in how we deal with independent actors; in terms of engagement, they are on the increase.

Philip Rycroft: I am very conscious of the risk of bureaucratic burden in this space, and of the fact that while political parties have professional staff and headquarters, they rely hugely on volunteers. Again, this is an integral part of our democratic process. The system is complex enough already without me coming along and adding a load of burdens at that level—I have tried to avoid that—but an irreducible minimum of



regulation is required for the public to have confidence in the system: hence the recommendations I have made.

In terms of the two issues, spending limits have probably covered that. If you know that the target has dropped down, that takes the pressure off raising a lot of money and the public might thank you for having slightly less stuff coming at them. But in terms of caps on donations, the public concern—which mirrors my worry—was about donations coming from abroad and that the source of that funding was not going to be traceable by the authorities. There is a concern simply about big money in British politics. The folk who are following me in this evidence session have done a lot of work on that, and stats on the concentration of funding are increasing. The public are rightly concerned about that, so it would make sense to look at whether there should be caps on donations.

The interesting argument is about what level you need to set that cap at in order to sustain a system that does not depend on public funding. Some would argue that you can set it quite high, such as £1 million, which for most people is an eye-watering sum of money. This is post-tax income that you are generously handing over, and most people could not dream of such money. Others would argue that it should be set a lot lower and that you could still sustain the system we have at the moment at a lower level. I did not go into that as it was beyond my remit but it seems to me an important part of the context in which my review took place.

Q129 Lewis Cocking: Going back to the regulated period and your comments around the fact that you are not sure whether it is fit for purpose, you were just talking about volunteers who help political parties. Lots of candidates are volunteers as well; they have jobs and all the rest of it. If we were to say that the regulated period is now a year, for example, and a candidate is selected early on, there have been cases across the political spectrum where—for a number of different reasons—the person selected is not the person who ends up on the ballot paper. If that was during the regulated period, would that mean that the new candidate gets to spend whatever is left over? I do not think it is simple. I understand your comments about online campaigning; I completely get that you could spend loads of money outside the regulated period, build up your Facebook followers or what have you, and that it would have an impact on the election. I am just concerned about the practicalities of all the other things.

Philip Rycroft: I was also concerned about that because you can have a lot of folk out there who are politically active now but have no idea that they might become a candidate in a couple of years' time. For the Electoral Commission to try to keep a handle on all those prospective candidates would be a bureaucratic nightmare. What I am recommending is essentially retrospective; when you put in your nomination papers, you are transparent about what money support you have had for your campaigning up to that point. It is not about stopping that activity and



inhibiting it. It is simply about transparency. At that point you would say, "Yes, I had the support of individual A, B or C to run this campaign, which allowed me to not have to work for six months or whatever to build up my profile in the constituency, and I received x sum of money to do that from this source." I have no problem with that. It is the transparency that matters so that, again, the public can understand where that money is coming from and, from my perspective, are reassured that it would not be coming from foreign sources.

Q130 Lewis Cocking: In that scenario, would you also have to put when you were selected? If you were selected earlier, you could spend more; on the return, the public could look at that and say, "Well, candidate A spent loads of money, but candidate B hardly spent anything." Candidate B might have been selected a week before the close of nominations. Do you not think there needs to be transparency around that, so that the public can understand all that information?

Philip Rycroft: Yes. If my recommendations are accepted, I have given a challenge to the drafters of the Bill. If there are clauses that come forward as Government amendments, you will get a chance to look at them and ultimately to vote on them. Are the recommendations I am putting in place proportionate, fit for purpose, and is the context in which they would be promulgated fair to all the actors in that space? The key is transparency, and for the public, an understanding of what candidates have been transparent about. Sometimes an explanation is needed as to why some have spent more or have had more support in the course of their candidature than others because of course some people may be declaring very much at the last minute and had no backing for their pitch at all, so their return would be nil.

Chair: Thank you very much; there are a lot of areas for us to discuss. I am the only one among my colleagues here to have been elected in the last general election in 2019, which was the most expensive election ever: it cost a record £97.5 million. This is an area that is going to be discussed in the run-up to the next general election. We thank you very much for coming and appearing before the Committee this morning.

Examination of witnesses

Witnesses: Dr Susan Hawley, Duncan Hames and Dr Sam Power.

Q131 Chair: Welcome to the second panel of our Committee hearing on modernising elections. Could I ask our guests to introduce themselves, please?

Dr Power: I am Dr Sam Power, a lecturer in politics at the University of Bristol. I should also declare that since 2024 I have been funded by the ESRC and latterly the University of Bristol policy support fund to work as a parliamentary academic fellow in the House of Commons Library. This involves writing impartial briefings, sometimes about political financing



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and sometimes about the Representation of the People Bill, but I am here exclusively as an independent academic from the University of Bristol.

Duncan Hames: Good morning. I am Duncan Hames, the director of policy at Transparency International UK.

Dr Hawley: I am Dr Susan Hawley, executive director at Spotlight on Corruption.

Q132 **Chair:** Thank you very much for appearing before the Committee this morning. We have been looking at the issue of foreign interference and donations to political parties. We would like to get your assessment in terms of the scale of foreign interference in recent UK elections.

Dr Hawley: We know that the director general of the National Crime Agency gave evidence to Parliament that it looks quite small on the face of it: 0.1% of money donated between 2015 and 2023 can be associated with foreign states. Then, between 2023 and 2026 it had 120 intelligence leads, including suspicious activity reports of which 10 related to political finance.

It is worth saying that from the global context we know that the EU Commission has laid out quite clearly what is a foreign interference playbook, particularly by Russia. Philip Rycroft also laid that out in his foreign interference review. Illicit financing and social media are the key tactics and we are seeing that play out in a range of jurisdictions across the EU and this year in Armenia. The US State Department has said that \$300 million worth of Russian money has been given to political parties and candidates between 2014 and 2022, so we know it is out there.

The low scale the NCA put on it might be because it is very reliant on the regulated community for money laundering, which does not necessarily pick this up as a foreign interference thing. It would be useful for the Committee to look at how the anti-money laundering regulator community could be better brought into the fold to actually provide actionable intelligence. Just finally, the other area where we are seeing some evidence is the increase in impermissible donations having to be returned by parties. Last year we saw 32 having to be returned; this year could be a record year with 27 having been returned just in the first quarter.

Q133 **Chair:** Duncan, do you think this has become a bigger problem over the last few years?

Duncan Hames: Yes, we do. In fact we published research that identified that one in 10 of the pounds that had been declared in donations since the introduction of donation reporting came from uncertain sources. This included over £10 million from companies that had not turned a profit before making those donations, as well as unincorporated associations that were not declaring the source of their funds. It goes wider than funds directly into political parties. We heard earlier about Nathan Gill and Christine Lee; one might add that the late



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Alex Salmond's production company was paid handsomely for "The Alex Salmond Show" on RT, formerly known as Russia Today. So there are a number of avenues whereby foreign funds can interfere with the political discourse here.

Dr Power: The other witnesses and, indeed, Philip Rycroft set out the answer to the question in this area quite well. Sometimes I prefer to think less about scale but more about effect. We find ourselves at a particular pinch point as it relates to the effect that this money can have, specifically as it relates to the fragmentation of the electorate, to our electoral architecture, and to an increasing wealth disparity. What I mean by the fragmentation of the electorate is that one of the things we know with relative certainty about money in politics is it helps you to win an election but that it has diminishing returns. If you can spend a lot of money, you can persuade a certain amount of people to vote for you but only a certain amount of people. When you have six parties competing, as opposed to say two or three parties, you actually have a much bigger persuadable electorate and you can win on much lower vote shares, so that money can be much more effective and you actually need less of it to be effective.

As it relates to our electoral architecture—this was covered by Philip Rycroft but I am sure we will get on to it—we have long laboured under the assumption, at least in terms of electoral law, that politics and democracy happen at elections, whereas we know that politics is a year-round game. If we have quite literally regulated and unregulated periods, then we know that an unregulated period is one where that money might flow.

Thirdly—I will be quick on this—is as it relates to an increasing wealth disparity. What I mean by that is not the difference between the rich and the poor but the difference between the rich and the very rich. We are increasingly seeing these mega, game-changing donations that mean one person or two people can spend an incredible amount of money, and that can have an overwhelming effect or perceived effect on the political system, which is also a new trend. These three things make the effect of money as it relates to foreign financial interference possibly more important than the scale.

Q134 **Mr Brash:** Dr Power, you have touched on something that is really important here and is oftentimes missing from the debate. Publicly we are certainly all aware that there is foreign interference in our electoral process and that money is flowing in from sources that we would prefer it not to, but the effects of that and the desired outcome from that foreign interference is not often talked about. Do you think there needs to be a greater assessment of what narratives are being pushed, what objectives are being sought, which candidates, which parties, who is being influenced and how that needs to be discussed? If the public were not actually aware of the objective of the foreign influence, it would, frankly, negate the impact it was seeking to have.



Dr Power: The short answer is yes. I will give a slightly longer answer, which is that it is really important to think about precisely the effects that some of these actors are trying to have and, also importantly, the effect that some of these actors are trying to have at these times in unregulated periods. When we are seeing these periods of significant unrest after tragedies, for example, what we see is a wealth of misinformation that swirls around these undeniably tragic cases, but we also see quite a lot of people trying to benefit financially from this. A big conversation needs to be had, not about regulating the speech that comes out of this but about regulating the incentive to make money out of these cases. This quite often occurs when people will turn up to a period of unrest. They will attempt to effectively farm clicks and will get paid, sometimes even by the platforms for this activity. We can have a big conversation, not necessarily regulating the speech as it relates to this but regulating the financial incentives to spread some of this misinformation.

Q135 **Mr Brash:** This is for the whole panel. What would the mechanism be for doing that? If there was a clearly identified attempt by a foreign actor to influence a particular vote, issue or tragedy, what would be the mechanism for shining that light for the public to see that influence taking place?

Dr Power: My mechanism would not necessarily be on the foreign actor or actors but on the ecosystem itself. We have these so-called blue tick accounts that are verified to some extent and operate as a financial ecosystem under which you can make money—some of it is a lot of money, some is not very much—but this financial ecosystem, if you will, incentivises a certain kind of message. Quite often that message is extreme, simple and can be wrong. The person sharing that message might not be aware of any of those things but they will find that they are making money, often quite small amounts in the short term, by engaging in this activity; it cultivates an ecosystem of actors.

One of the things that we can do is think about moving towards a system where we actually regulate the way in which people can make money from these platforms more meaningfully. Perhaps it is a case of not allowing the platforms to make payments to these people, so that they could still get payments through sponsorships and other means on these platforms, but actually eliminating policy platform payouts, as it were. We can also think about setting minimum thresholds for payment, so that you have to have had enough of a footprint, for example of £5,000. You can make money over £5,000. This eliminates quite a lot of the grassroots people who might ride the algorithmic wave, if you will, of making this small amount of money.

Dr Hawley: There is a defending democracy taskforce. We have made comments in the past that there is quite a lack of transparency. Some of that is understandable because there are national security and intelligence concerns, but we have called for an annual statement to



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Parliament from that taskforce via the Security Minister. We could also look at Australia: the Electoral Commission has set up an electoral integrity taskforce that is very proactive in signing off after every election about what kind of interference there was. There are also some concrete mechanisms alongside what Sam is talking about on regulating better that are actually about that public information piece you are getting at, which is that the public need to know, as we saw with the arson attacks against Starmer's properties or in other instances. That is the kind of information the public need to know in relation to elections.

Q136 **Mr Brash:** Briefly though, you mentioned after the election. Is that not part of the problem here in that these foreign actors are able to embed things into the public consciousness and then afterwards we say, "Look, you embedded it into the public consciousness," and at that point it is too late?

Dr Hawley: Yes, a rapid response from an official body giving alerts would definitely be really important. It cannot be the Government though, because they might seem to be not disinterested, shall we say.

Q137 **Sarah Smith:** You have focused therein on highlighting where there has been foreign interference in this way. If it was British-born but still intending to drive harm and inflame hatred towards particular groups or individuals, do you think that should also be acted upon, and there should be sufficient regulation for that legal recompense for those who are doing it in Britain, as well as when it comes from foreign interference?

Dr Power: Yes. I would consider this to be across the board, not just from foreign sources.

Dr Hawley: Can I just add why that is so important? If you look at the ISC reports and the playbook on foreign interference, it is not states doing it themselves; they do it through individuals or businesses that may often be very well embedded here already, and very legitimately so.

Q138 **Mr Forster:** You might have heard me asking questions of Philip Rycroft about the donation reform and the one that Nigel Farage has received. I am tempted to say that I would welcome your thoughts on that, but this leads me on to the wider cryptocurrency implications. Obviously the Rycroft review recommended and the Government accepted that there should be a temporary ban—a moratorium, as they are calling it—on crypto donations until Parliament can get its head around the issue and agree a proper regulatory framework. Do you think Parliament can ever properly regulate crypto when it is sometimes untraceable, and if not, very fast moving?

Dr Hawley: That is a great question. We really welcome that moratorium; in effect it is a ban until the conditions are right, and we have very strict criteria about when the conditions will be right. I have a few points to make. We do not yet have a mature regulatory system for crypto generally in the UK. It is not expected to be bedded in until October 2027, and even then it is going to take a while to properly bed in



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from a regulatory perspective. The Electoral Commission, with parliamentary input, has to be able to advise Parliament on whether it is safe to allow in political finance, given the points you raise about its traceability, the difficulty of finding out who the ultimate donor is, and the source of funds. We also need to know that the Electoral Commission would have the expertise and the resources, and we need to beef up the systems that are coming into place, so you use the know your donor policy and the new donor declaration in section 54.

Q139 Chair: Do you think the provisions in the know your donor section of the Bill go far enough, or do you think that there should be an outright ban?

Dr Hawley: Do you mean on cryptocurrency?

Chair Yes.

Dr Hawley: We think there should be an outright ban until the conditions are right, and there is considerable uncertainty about when those conditions would be right. Very strict criteria need to be in place. Philip Rycroft is right when he said that it is going to be three, four or five years before we will know whether that is the case. It is clear that this should not be something a Minister can decide; it needs a proper process and for the Electoral Commission, relevant cross-party Committees such as your own and the Speaker's Committee to be involved, and it needs to come back to Parliament for ratification.

Duncan Hames: We should be clear that this moratorium, while welcome, is not enough on its own. The payment that you described earlier, Mr Forster, as far as I am aware, was made in sterling. It was a fiat currency movement of funds, though it came from a source that has a major stake in a crypto platform: Tether. If we are concerned about the origins of funds that have been held in crypto at one time or another, we should also be concerned about large payments being made in our own currency that could just be the final leg. In our work on money laundering we have published reports about how people have been deployed as crypto to fiat mules as a way to allow funds that were otherwise excluded from our financial system to make their way into our economy, and we should not be naive about the cunning with which people might still continue to do that, even under a crypto moratorium.

Q140 Chair: As it stands there is a loophole in the current legislation. A new political party could register with the Electoral Commission and declare that it has funds. My understanding is that the Restore party registered and then declared it had £2.5 million. That was all permissible under the current legislation but there was no way of tracing the source of that funding.

Duncan Hames: There is no obligation for it to be declared. You are quite right, Chair, this is a loophole in our current arrangements. We think it is important that it should be clarified in law that pre-candidacy donations are regulated and reportable. At the end of the day this notion



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that we might have elected MPs with wealthy patrons is the sort of thing that should have been left behind in the era of the rotten boroughs. Whether you call it a gift, a reward, an inducement, or some might say a bribe, people can see it for what it is.

Q141 Mr Forster: Dr Power, I will bring you in at this point as you have previously said that potentially politically exposed overseas donors may be able to get around the donation cap through their business interests. We have talked about this already today; I would really welcome your thoughts on this, and how we can get this loophole closed.

Dr Power: That comment was specifically in relation to the £100,000 or, if we are using the Rycroft recommendation, the £100,000 to £300,000 cap on overseas donors. My understanding, which was, happily, echoed by Philip Rycroft, is that his logic behind that was based around two things: fairness and traceability. My concern remains that there are two relatively easy loopholes in the overseas donors cap, one of which has been used twice already, which is that one can simply move back or threaten to move back to the UK, and your source of wealth remains the same and you can use it to whatever degree you would like. The other is that you may well have business interests in the UK through which one can donate. There is a significant control test, of course, but if that is a permissible donor I am yet to see that the test is strong enough.

My other point is quite niche, but I guess that is why I am here, and is concerned with the significant control test in section 54G, which allows the Secretary of State to change the significant control test. That is incredibly dangerous because that means that any future Secretary of State may just simply change the significant control test.

Q142 Mr Forster: Do you think that power should go back to Parliament or that it should go to the Electoral Commission? What should happen?

Dr Power: There should be quite a clear mechanism for this: the Electoral Commission with the Speaker's Committee, ratified by Parliament.

Q143 Mr Forster: Finally, I really want to draw down from everyone on the panel on what you think the mechanism of lifting the temporary ban on crypto would look like, or is it difficult to tell right now?

Dr Hawley: Do you mean in legislation?

Mr Forster: Yes, in legislation and what it would mean practically.

Dr Hawley: I hope I started to expound on a few of those, but I do not think it can be done until the regulatory framework is properly rolled out. In practical terms the Electoral Commission will have to provide statutory guidance and confirmation that it can adequately regulate this. I do not think the Electoral Commission will necessarily think that it is going to happen anytime soon.



This is an incredibly new, fast-moving, high-risk, particularly foreign-interference form of finance. In its bulletin last year, the FCA said that only 8% of the UK population actually invest in crypto. We have not seen a huge public demand wanting to make cryptocurrency donations, so why are we creating a very elaborate and expensive-to-police system unless there is genuine public demand? Cryptocurrency also poses real issues around democratic control, and that is why it is so important that Parliament—in a cross-party sense—has the final say on when this ban will be lifted.

Q144 Chair: We have obviously touched on looking at company donations briefly. Transparency International's research highlighted that 10 companies have made political donations totalling over £10.9 million since 2001 where the source of that funding has not been clear. I asked Philip this in the previous session. On company donations the Government are sticking to the revenue test to not punish small businesses. I highlighted that, as constituency MPs, a number of us have many small businesses in our patches that would want to support us as individual candidates. Do you think that that element is acceptable, and is that something that the Government should maybe revisit?

Duncan Hames: We think the Government should consider a profit, or surplus income in the case of non-profit distributing entities test, but I would like to generally challenge this idea about companies wanting to make donations. In the example you just gave I think what you meant was small business people who are people with small businesses wanting to make donations, which is fair enough. But when we talk about company donations this idea of the company's personality—the company itself as an entity that needs to be able to make donations—is a strange concept really.

It is not the case that most FTSE 100 listed companies are making large donations to British political parties. If you look at the pattern of donations from corporate entities it tends to be privately held companies, or sometimes private equity companies where there is a small number of people who own and control that company—directors—who want to make a donation. It is those individuals who want to make a donation to a political party, and they probably choose to use the company as the vehicle for doing so, probably because it is more tax efficient than them receiving the income themselves personally first and then making the donation.

You can have opinions about whether that is a good thing or not. All I would suggest to you is that we do not need to defend the human rights of companies to be able to make donations in politics. We ought to see this for what it is. This is simply a mechanism whereby some people choose to make donations themselves, and it is as well for the regulations and the law to recognise that that is what is happening.

Dr Power: Some £135 million has been donated by corporations to British politics in the last 10 years of which 70% comes from single



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donations of over £50,000, and many below that will be from similar companies. One in five of those donations came from companies owned by three people: Frank Hester, Dale Vince and Lord Bamford.

I am often concerned when I hear rhetoric such as, "There is just this small company in my constituency that would love to donate to me, but it is going to be really hobbled by the profit test over the revenue test." If that is the case, individuals are perfectly welcome to donate if they have the money to do so. No one is saying that they cannot. My particular concern is that we have actually had these arguments already, but not about corporations. When unincorporated associations were regulated in 2009 concerns were raised again and again during the passage of the Elections Act 2022 and during the Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act 2014, that unincorporated associations should not be subject to the same regulation as other entities because it would somehow harm the Bristol Barracudas local football team, who are just trying to operate as a little organisation playing football and gaining money, and it will somehow be regulated by the overbearing arms of the state.

That is not the case with unincorporated associations. This legislation is finally, happily, bringing unincorporated associations in line with other regulated entities. My concern with applying the revenue versus profit test is that we are using the same sort of imaginary corporation that is being disadvantaged here. In about 15 years' time we will all realise that the revenue test was a loophole that needed to be closed and we will bring in the profits test.

My suggestion is that we do that now, as was suggested by the 2021 Committee on Standards in Public Life review, Philip Rycroft, and indeed, by most of the witnesses during the Public Bill Committee. Samantha Dixon said that they would take note of what witnesses said and what Rycroft said, so I just suggest we close that loophole now rather than in 15 years' time.

Q145 Chair: Do you feel that the risk factors that will be taken in the risk assessments, such as where the person is donating from, where they are based, and trying to single out an individual versus a company, go far enough? There should be a donation history and a pattern and it should all be made available. Do you think all that should be taken into account when looking at a cap on this?

Dr Power: Sue, you have done a lot of work on know our donor; do you wish to comment?

Dr Hawley: The know your donor policy needs to be beefed up considerably, as has been said by the Electoral Commission, my organisation and Philip Rycroft. It should also be beefed up in corporate donations. One way to address Duncan's point is to have a named individual behind a corporate donation who is the decision maker on that company making the donation.



We also need a very much clearer set of risk factors. Philip Rycroft talked about drawing from the anti-money laundering community, where it has a really long history of doing due diligence, but there is not an automatic overlay of those rules because permissibility is different from money laundering. We definitely need a consultation by the Electoral Commission with the regulator community about which risk factors should be there. It needs to include overseas connections. Critically, we must remove the language that suggests parties and candidates should have discretion about what these risk factors are. That would just lead to people applying all sorts of different criteria.

Q146 **Chair:** Does it currently give parties too much discretion?

Dr Hawley: Yes, it does. We need a clear set of risk factors, one that can be updated according to the risk, and we need to remove the ability of the Minister to override the Electoral Commission's guidance on this.

Q147 **Sarah Smith:** I just want to turn to the idea of universal donation caps. I am interested to hear the panel's views on this, particularly in relation to whether you think that is a proportionate response to the foreign financial interference challenge, but does it also necessitate things such as increased state funding of political parties? Is there anything else you might want to lead into on that topic?

Duncan Hames: We very much support a universally applicable donation cap and we do not think it necessitates additional state funding to political parties. We have done some modelling that I will be very happy to share with the Committee, which concludes that it would be possible for political parties to weather a £50,000 per annum cap on donations from individuals or corporations by 2030, phasing that in over the time between now and then as they adapt to those changes.

I understand the reservations about placing an additional burden on the taxpayer. You have heard from the discussion this morning how complicated this all gets. The reason for that is we are trying to create a set of rules to sort the sheep from the goats. We recognise that money is influential in politics and we do not want some people or some money from some quarters to have influence, but we are trying to somehow maintain a situation where benign money can be influential in British politics.

Trying to police the perimeter in that way is destined to fail. If one man's money should not be allowed to be game-changing in British politics, why should any man or woman's money be able to do that? So we are calling for a universal donations cap and I know a number of MPs have tabled amendments around this subject for consideration at report stage of the Representation of the People Bill. Ultimately it will be for MPs to decide, given the manifesto commitment that the Labour Party made to strengthen controls on political donations, whether they want to be about changing politics or about defending the status quo.



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Dr Power: Similarly to Duncan, my position is that the problem we get into with the complexity of electoral law is that you end up trying to do everything in precisely the most complex way possible, particularly in the UK, because you do not want to cap donations for the reasons that have been outlined. Therefore, an incredibly complex system is created to try to control foreign financial interference when the easiest thing to do, and indeed the most common regulatory response across the world, is to cap donations.

It might well be the case that the UK has an exceptional political tradition in which we encourage voluntarism to a higher degree than any other country, which is totally fine. The question becomes, where do you set the limit? My recommendation is that you set it at an incredibly high £1 million. That is because money in politics and controlling money in politics has two main objectives behind it. First, it is to control the damage that it does, and secondly, it is to either retain or increase public trust in the system. The problems that we have when we discuss money in politics and a cap on donations are around increasing state funding and increasing public trust.

If we do not want to increase state funding, then we can have an incredibly high cap. The trade-off is that you might not have an effect on public trust but one thing is very easy to do and one thing is considerably harder to do. It is easy to control the destructive effects of money in politics by setting a very high cap. It is considerably harder with any cap on money in politics to have a meaningful effect on public trust because public trust is baked into a significantly larger cake.

My challenge to you is to think about what we want to achieve with a donations cap. Do we think these large donations in politics are incredibly damaging? If we do, we can set a high cap and we can have a further conversation about precisely where that cap needs to come so that state funding does not need to be brought in. If we are trying to increase trust in politics, that is a much bigger question that requires us to sit down and think about this system as a whole. But we need not get these two things conflated. We can cap donations without increasing state funding as well as having a larger conversation about public trust. We do not need to tie those things together all the time.

Dr Hawley: I just want to add the yin and yang of it very quickly. The yang is you need spending limits as well and, as Sam mentioned at the beginning, you need them to apply across the year because it is that unregulated period that is at very high risk of foreign interference and of parties building up war chests, essentially. Alongside donation caps, it is critical.

Q148 **Mr Forster:** The Electoral Commission has called for the power to request certain information. What difference do you think this would make to their enforcement capabilities?



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Dr Hawley: There are two things that the Electoral Commission needs urgently in this Bill. First, it needs the ability to share and receive information. The Bill gives it powers to share information with a range of bodies but not to actually receive information back, so it is a one-way street. It has called for that to go two ways, which we absolutely support because otherwise it is just not getting the intelligence needed to regulate.

Secondly, it needs investigative powers and the ability to compel information outside of an investigation. It has to be able to compel information from social media companies, tech companies, financial bodies, and crypto exchanges if it is going to do its job. This has been recommended by various parliamentary Committees, and cuts to what the director general of the NCA said to Parliament, which is that there is no point having laws if they are not enforced. We have to make sure the Electoral Commission is match-ready for actually fulfilling the Representation of the People Bill mandate, which means resourcing.

We have very serious concerns that the amount suggested in the Electoral Commission's budget is not enough for the quite massive expansion of the civil powers it is being given, particularly for candidates. It needs to manifest a strong enforcement appetite. We have concerns that there has been an 89% decline in its investigations being concluded and a similar percentage drop in the number of fines, so we would need that to be monitored by this Committee and the Speakers' Committee to make sure it is actually enforcing the laws robustly.

Dr Power: I would only add that information sharing is genuinely important, and the legislation as it currently stands is not sharing; it is giving. The Electoral Commission is useless if it cannot have the information that it needs, and we are constantly asking a lot of the Electoral Commission. Indeed, in this panel and the previous panel we have talked about cryptocurrency and managing cryptocurrency as if that is something that the Electoral Commission will magically be able to do without further resourcing and without being able to receive information from, and give information to organisations that know this playing field better than it does. Information sharing, not giving, is the key thing.

Chair: There have been a number of reviews over the last few years looking at tightening political finance rules to try to prevent foreign interference. As this Bill progresses through Parliament, I hope there will be other areas that the Government will definitely look at. We have had a lot of areas that we can feed back to Ministers as we have discussed this. Thank you very much for taking an interest and coming to our Committee this morning.