

# Treasury Committee

Oral evidence: [Economic crime](#), HC 145

Monday 29 November 2021

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Members present: Mel Stride (Chair); Rushanara Ali; Anthony Browne; Gareth Davies; Dame Angela Eagle; Emma Hardy; Julie Marson; Alison Thewliss.

Questions 427-536

## Witnesses

**I:** John Glen MP, Economic Secretary to the Treasury, HM Treasury; Giles Thompson, Director, Office of Financial Sanctions Implementation (OFSI) and Economic Crime, HM Treasury; Rt Hon Damian Hinds MP, Minister for Security and Borders, Home Office; Duncan Tessier, Director, Economic Crime, Home Office.



## Examination of witnesses

Witnesses: John Glen, Giles Thompson, Damian Hinds and Duncan Tessier.

**Chair:** Good afternoon, and welcome to this Treasury Committee evidence session as part of our inquiry into economic crime. We are very pleased to be joined by four witnesses this afternoon. I will ask them to introduce themselves very briefly to the Committee for the public record.

**John Glen:** I am John Glen, Member of Parliament for Salisbury, and the Economic Secretary to the Treasury since January 2018.

**Damian Hinds:** I am Damian Hinds. I have been the Security Minister at the Home Office for the last three and a half months.

**Duncan Tessier:** I am Duncan Tessier. I am the director for economic crime in the Home Office.

**Giles Thompson:** I am Giles Thompson. I am the director for economic crime in the Treasury.

Q427 **Chair:** Welcome to all our witnesses. Thank you for joining us. Could I start with you, John? We all know the obvious, which is the huge explosion in the level of fraud and economic crime, particularly online. Most people feel that it is getting out of hand, and out of control. We have heard numerous amounts of evidence from people whose lives have been absolutely devastated by it. What are you at the Treasury doing to try to get on top of it?

**John Glen:** You are absolutely right to draw attention to the recalibration of where the emphasis of crime is. We are seeing an enormous amount of online crime. In terms of the context from a Treasury point of view, financial services are often at the core of that, and the explosion of online scams. The first thing to say is that that challenge is very difficult to deal with in a single intervention. Quite a lot needs to happen to get that right. One of the areas that I want to focus on would be push payment fraud. I think that some progress has been made, but the evolving nature of the context in terms of the different actors, the banks, the faster payments regime— We have had a very effective faster payments regime here in the UK since 2008, but that means that there is an issue around how much friction you put in the system.

The Payment Systems Regulator published on 18 November a consultation setting out measures to improve both the prevention and reimbursement of fraud. They also directed the six largest banks last year to agree to the confirmation of payee, but the challenge is, when you have a widening range of payment operators, how you get to the heart of that. The FCA have a significant role to play, and they have been—

Q428 **Chair:** But on push payment fraud, you started by saying that we have made some progress, and then you identified some of the challenges



## HOUSE OF COMMONS

such as faster payment, which is indeed a problem. That is attracting scammers to us rather than to other places, but what specifically would you point to that has been a success in terms of tightening up in that area? What would the evidence be?

**John Glen:** The confirmation of payee has helped, and the PSR's measures to improve the expectation around reimbursement. There is a voluntary code for reimbursement at the moment, but the point that I was going to make was that you have the Open Banking Implementation Entity, you have Pay.UK, and you have the faster payments regime itself. They are going to have to manage more and more actors, if you like, for processing payments around what is expected in terms of the interventions needed.

The big elephant in the room is online fraud. We know at the moment that Damian Collins and his Committee are doing prelegislative scrutiny of the Online Safety Bill. There have been some movements. Google have said that they will only accept advertising from those entities that are authorised by an FCA-authorised firm, but the big area that we want to look at very carefully before that legislation comes into force is advertising. The DCMS are doing work on online advertising—

Q429 **Chair:** The FCA have given evidence to our Committee to say that they want to see that covered in the Bill. Is that something that you would support?

**John Glen:** I am very sympathetic to that, in the absence of an effective online advertising programme. The bottom line is that I have put through, as this Committee well knows, because you have interviewed me on it, the remedy for the LCF fraud, which is now in payment, or will be very shortly. The FCA have a risk-based approach to over 60,000 firms, but we have significant evidence around the fraud that comes from online-based activity. We cannot hide from that. We welcome the efforts that some of the platforms are taking, but we have to have an effective response. The online advertising programme is at the moment what we need DCMS to come forward with. Clearly, we need an effective intervention that deals with the nature of the risks around advertising.

Q430 **Chair:** I will come to Damian and the Online Safety Bill shortly, but sticking with you for a second, John, you mentioned DCMS. Nadine Dorries, the Secretary of State, has said that the Bill cannot be amended to do all that stakeholders want, for legal reasons. What do you make of that? What is your understanding of what she means by that?

**John Glen:** The challenge will be what can be done to deal with some of the risks. We have had changes to the financial promotions rules—meaning that online platforms can no longer rely on the exemptions to the financial promotions regime—and to the financial services verification policy. The problem is, what will be an effective intervention? At the moment, DCMS says that, as an alternative to that, the online advertising programme will be the way in which it deals with some of those risks, but then it rests on the distinction between user-generated content and wider



## HOUSE OF COMMONS

content. We have got to work that through the process up to the legislation coming forward.

**Chair:** But what do you think the DCMS Secretary of State's issue is, when she says that there are legal reasons why we might not be able to do what stakeholders want us to do? What do you think that is about?

**John Glen:** I don't know. I have not seen the legal advice that she has seen. I am not trying to be obscure or anything, but I have not seen that advice. What I am saying is that, when I think about online fraud, there are the responsibilities of those who conduct payments—I have been through those, and we are seeing an evolving landscape of those doing payments—but I do not think instinctively that consumers want to see slower payments; they want to see prevention, and part of that is removing bad actors from advertising things that should not be there.

Q431 **Chair:** On a specific point, some of the evidence that we have received was that Google has been paid £600,000 by the FCA to buy advertising through Google to put people off engaging with the scammers that Google is in turn taking money from for advertising on its site. Have you had any interactions with Google about that, from the Treasury end of things, to explain that that is unacceptable and that perhaps that money should be returned to the FCA?

**John Glen:** I have not discussed that with them. I met Google a few weeks before it made its announcement, which was several months ago. On the actual outworking—how that is playing out—I have had no more interaction with it. The FCA is very concerned. In the end, what happens is that the FCA is left culpable, or deemed to be culpable, for absolutely everything. With the best will in the world, given the range of bad actors out there, although the FCA can regulate regulated entities and authorise people on the promotions side, it cannot be responsible for everything.

Q432 **Chair:** You said earlier that you were "sympathetic"—I think that was the word you used—to the idea of online advertising falling within the scope of the Online Safety Bill. Does that mean that the Treasury will be pushing for that? I know it is a decision rightly across Government, but is that the position of the Treasury?

**John Glen:** It depends what happens with the online advertising programme that DCMS is responsible for. I met the previous Minister, Caroline Dinenage, at least once—I think twice—before she left office. This is a massive problem, and a significant opportunity which we cannot miss in the absence of a better solution. That seems to me the right approach. However, I recognise the complexity in delivering it in a coherent and legally sensible way.

Q433 **Chair:** Damian, welcome to the Committee. I thank you particularly, given that you are not "our" Department, as it were—

**Damian Hinds:** Thank you for adopting me this afternoon.

**Chair:** It is extremely generous of you to give us your time. I have the same kind of question: if we focus on the Online Safety Bill for a minute,



## HOUSE OF COMMONS

what are your thoughts? There is a lot of pressure from a lot of quarters to widen its scope as we have discussed. What is your thinking?

**Damian Hinds:** John and I have had a number of opportunities to discuss this, and we are on the same page. The first thing to say is that fraudulent advertising—the propagation of scams—is illegal. It is illegal whether it happens on social media, on a billboard, or on a street corner. It is also true that the online space—social media in particular, but more broadly as well—is rapidly growing and evolving, and it is obviously increasingly the place where people do their business of all sorts. We have already brought so-called user-generated content fraud into the Online Safety Bill. That was the right thing to do, and particularly important for certain categories of fraud: romance fraud is a particularly disgusting practice.

However, we are also very conscious that there are other types of fraud where the business model is about advertising online, and we need to bear down on that. The question we are facing is not whether to bear down on it, but how: what is the best way to do it? Is it best to do it through the Online Safety Bill? Is it best to do it through the online advertising programme, or some other way? I was in front of your colleagues on the Joint Committee looking at the Online Safety Bill the other day, and as I said to them, they are absolutely at liberty to make recommendations. I hope they will look at it very carefully. Your Committee, I hope, will also look at this question very carefully and make your own judgments and your recommendations, but we absolutely do need to bear down on fraudulent advertising online, and we will.

Q434 **Chair:** In terms of which way we go with the paid-for advertising, for want of an expression, what are the parameters that are there in your mind when you think about the decision that the Government will ultimately have to take on that?

**Damian Hinds:** First, you have to see it in the wider context of advertising online. I am not here to talk about BEIS matters or DCMS matters, but advertising has changed beyond recognition in the last 10 years to a thing called programmatic advertising. I will not go into all the details, but it is a much more complicated space which itself, by the way, probably features a fair amount of fraud within that business model. There are questions about how that whole system works, so in thinking about one part of advertising—in this case, fraudulent advertising—you have to think about how it dovetails with all that.

From my point of view—I think I can probably say “from our point of view”—

**John Glen** indicated assent.

**Damian Hinds:** The crucial thing is what is going to be most effective. What we want to do is stop these ads and stop people being ripped off. We want to make sure, as I say, that that happens effectively without unintended consequences elsewhere and without also, frankly, slowing down some of the other really important things that are in the Online Safety Bill. Those are the kinds of things that we are having to juggle.



Q435 **Chair:** A question to both of you: are you happy with the progress that the Government have made so far in this area?

**Damian Hinds:** On fraud in general?

**Chair:** Economic crime, particularly online. There has been three-quarters of a billion of fraudulent activity online in the last six months, where individuals in many cases have lost their livelihood.

**Damian Hinds:** Am I happy? No, I am not happy. If you want us to sit here and say that we are happy with the progress made today, no, of course not: we have a great deal further to go. There have been some really important aspects of progress. John can talk more about the supervisory regime, but on our side, we have law enforcement with the development of the National Economic Crime Centre, the SARs reform programme, and some of what has been happening on fraud and some of the extra people we are going to be putting in place. Those are all important steps forward.

However, I think you are going to hear us both saying that there is a big distance still to go, and however fast we deal with the current landscape, the fact is that this is a rapidly growing area of crime. If you put together fraud, economic and cyber, that is now most crime. It is not a small segment: it is most crime, and particularly with the development of the technology and the increasing globalisation and multinationalisation of these organised crime gangs, there is a huge amount to do just to keep up, but we need to make sure we are steps ahead.

Q436 **Chair:** I guess that is the answer I expected: you cannot be satisfied with the way it is going, but it is Government's responsibility to get on top of this issue, is it not? Given what is happening, I guess the question then becomes what you are doing that reassures the public that there is an extraordinary sense of urgency on the part of your two Departments and across Government to grasp the nettle and start to get these numbers down. What is it that you point to for those viewing today who want reassurance that you really get it?

**John Glen:** Damian has set out the scale of the problem, and I recognise that to be absolutely true and echo completely his sense—well, I certainly have a sense of frustration around this area, because the legislative intervention needs to be effective but there is a complex, changing range of actors who have different regulators involved in it. I mentioned the FCA, the PSR and the whole changing nature of payments with open banking; we will move to open finance in due course. So the challenge is: how can we make an effective intervention that is going to really bear down on this? I think we have both identified the challenges in terms of online advertising, and we have set the context with respect to the deliberations across Whitehall as that legislation moves to delivery.

Q437 **Chair:** On the legislation, which may or may not end up being the vehicle to challenge those that are advertising online and ripping people off, how quickly do you envisage that going through the parliamentary process and becoming an Act?



## HOUSE OF COMMONS

**Damian Hinds:** Coming from a former senior Whip, Chairman—

**John Glen:** And Leader of the House.

**Damian Hinds:** And Leader of the House—absolutely. That's a little, I think, beyond our—

Q438 **Chair:** In my day, the answer would have been a matter of weeks, but that was a while ago.

**John Glen:** If I recall rightly, that is a bit wide of the mark, given where we were in 2019, but look, this is an absolute priority. I have been doing this job for nearly four years; I am not satisfied with where we are on this. I totally recognise this. I can be accountable, sort of, for the interface with the FCA, the PSR and the OBIE, and I can point to some of the things that have moved forward. But we are pretty clear that unless we get this online advertising solution right, across Government, we are not going to move forward in the way we would like to.

Q439 **Chair:** John, you say you are not satisfied, and that's fine. I guess you come across as being slightly frustrated by it all. Where's the logjam? Who's messing up? Who's not doing what they should be doing? What's not happening that should be happening and that would make you sit there saying, "I recognise not enough has been done, but do you know what? I think we are really heading in the right direction now"?

**John Glen:** With the Online Safety Bill, there are lots of things that are in play—lots of issues that need to be resolved. There is a pretty thorough process of prelegislative scrutiny that I hope will lead us to the right outcome, but when there are legislative endeavours across Government Departments, there are obviously different emphases and different concerns about how that will be implemented. But I recognise we have got to move forward quickly and get this to a point of resolution.

Q440 **Chair:** Is there an element of somebody not holding the ring on it? You have all these different Departments and all these—you are shaking your head, Damian. Do you want to come in on that? You don't think that.

**Damian Hinds:** I don't think so. I honestly think there is real urgency across Government. Some of these are genuinely quite complex issues, but we are getting on with it. The draft Online Safety Bill has been published. It is being looked at by a Joint Committee. I think it is right, by the way, that Parliament has that opportunity to really get stuck in and involved. I think they are due to report on 10 December. There are other aspects of legislation that we know we need to bring forward and that the two of us are very keen to get on with. And I think that absolutely is going to happen, because there is that cross-Government recognition of the urgency and the magnitude.

Q441 **Chair:** But we don't know the rough timetabling of the passage of that Bill at this stage. Would you be able—happy—to say, for example, "Certainly by the next general election, it will all have gone through and all the elements of the Bill will be up and running"?



## HOUSE OF COMMONS

**John Glen:** I hope it will be sooner than that, but as you know, it's not our prerogative to timetable Bills. We have made representations about what are priorities. We have done that in the normal way and we shall wait and see what happens.

**Damian Hinds:** Also, you shouldn't read into anything that we are saying that we think it is not going to happen in a timely manner. We think it is going to happen in a timely manner, but—

**John Glen:** We just can't guarantee it.

**Damian Hinds:** As you know, the business managers—well, manage the business, I guess.

**Chair:** Very good. Thank you. I will now go to Anthony.

Q442 **Anthony Browne:** I want to come back to you, John, on the issue raised at the beginning about push payment fraud and making the measure a legal requirement. At the moment, it's a voluntary regime, as you said, and only certain banks are involved with it; some, like TSB, aren't part of it. What are the benefits of making that a legal requirement?

**John Glen:** I think it would give people a level of assurance around what to expect. TSB have taken a slightly different position. I met their former chairman, and he took a different view. I think, though, it is also about preventing this fraud in the first place. When we are agreeing what people should be repaid, we have almost lost the bigger challenge, which is about preventing it in the first place. The banks are more concerned about that—about how we can remove the risk. Confirmation of payee was quite a significant intervention; it does not remove everything, but it puts up significant barriers before you can transfer those funds.

The challenge, as you well know from your prior experience, is all the new entities coming into the banking sector. Many of them do not resemble banks—the platforms are getting involved, fintechs are getting involved—and it is difficult to have a universal obligation on transactions and the way they are conducted when many of the new actors and the fintechs would say that they have security measures that are greatly enhanced above those of some of the incumbent large banks. It sounds reassuring to put a universal obligation on everyone to reimburse—

Q443 **Anthony Browne:** As a legal requirement?

**John Glen:** Yes, as a legal requirement. But the challenge is more about how we can prevent it from happening in the first place and develop the right responsibilities, given the different technical solutions that different sorts of banking actors enact in the marketplace.

Q444 **Anthony Browne:** I completely agree with that; the thrust of my following questions was going to be about combating the source of the problem, although clearly it is important for customers to get compensation. Are you saying that there are limits to the different legal entities that the legal requirement could cover, so in some financial





## HOUSE OF COMMONS

transactions people would be legally entitled to compensation if they did it through certain legal entities, but not if it was through other legal entities?

**John Glen:** All I am saying is that we have a regime in place for confirmation of payee, for example, where you have mandated a certain number, but you have the challenge of creating a fair and coherent set of interventions in terms of legal obligation, on both the prevention and the reimbursement side, given that they undertake different checks in the first place. It is difficult to find a universal legal obligation in what is a quite a range of actors, and that gets to the heart of the complexity of some of the problems in this area.

Q445 **Anthony Browne:** The banks compensate a different range: I think some compensate only about 20%, and some compensate about 70%, and the rationale behind that is that if customers or victims are deemed to have been negligent in the way they have behaved, they are therefore not entitled to compensation. If you are introducing it as a legal mandate, how are you distinguishing between those cases where people would be entitled to compensation, and those where they would not? Are there still circumstances where victims of fraud have behaved so negligently that they are not entitled to compensation? For example, if you write down your PIN code on your bank card and leave it on the bar in a pub, you cannot complain if somebody has used it for fraud.

**John Glen:** Without getting drawn into individual circumstances, the principle that individuals need to take responsibility to some reasonable extent for decisions they make must be an important part of our framework. We cannot have a situation where everything defaults to the bank's giving full compensation, but equally we must do everything we can to remove the incentives in the space for fraudulent actors to mislead.

In defence of the consumer, some of these scams are incredibly sophisticated. I have a lot of sympathy for consumers, and we all have constituents who have faced that. It is not a binary thing; it is a complex set of circumstances. I suspect that if we sat down here as legislators and tried to codify for every scenario, we would come up with something that is not in there. We must try to establish principles, but also work on prevention, because it is in the prevention that we make significant progress and avoid people's getting into the dire situations that they too often get into.

Q446 **Anthony Browne:** Obviously, with my background as chief executive of the British Bankers' Association, I know the banking side very well, but as I have looked into this more, I have been amazed how little the online firms and mobile phone companies generally do. They seem to me to be 10 years behind financial services in combating fraud. I realise this may not be a Treasury thing, and maybe it is a question for Damian or for DCMS, but there are lots of things that happen that I find really quite surprising. One thing you did not mention earlier was bulk texting. I get them almost every day, or every other day, but mobile phone companies, as far as I know, do not do KYC checks on bulk texters. The pattern of



## HOUSE OF COMMONS

texting for a scam is single texts to millions of people. or hundreds of thousands of people—completely different from how ordinary people use texts. You would have thought that behaviour would be very easy to identify and that it would be very easy to quickly put a stop to it if Ofcom required mobile phone companies to do KYC checks on bulk texters, but that has not happened.

**Damian Hinds:** There are also bulk SIM purchases. The things you have raised are very relevant, Anthony. That is one reason we are so keen to work with the telecom sector, which we are now doing through the Joint Fraud Taskforce; there is also the sector charter with telco, but we would like that to develop further over time. We also have the 7726 number that you can forward a fraudulent SMS to, which helps the telecoms companies build up their own picture. You are quite right: there is a heightened role for telecoms operators to play, as there is for other parts of industry.

I think you are right, by the way. Let me take a moment—and not just because you used to run the British Bankers' Association—to pay tribute to what some banks have done on the front end of their user interfaces in very recent times, which has been really significant. However, there is more that we can do; as John said, stopping it happening in the first place and designing it out has to be a big part of the answer.

Q447 **Anthony Browne:** John, you mentioned that we have to stop the advertising of fraud, which is obviously why it has grown so much. Again, I am amazed at how little control there is over adverts on social media. Almost any fraudster can be advertised—some adverts are clear frauds. Is there any thought about bringing online advertising within an AML-type regulatory framework?

**John Glen:** That goes to the heart of the dilemmas facing us in the Bill. DCMS is responsible with the online advertising programme, which will hopefully bear fruit. That is very important here. We have to have an effective intervention that deals with where the risks come from. In the absence of that, we have to look at the legislative options that exist within whatever legal advice DCMS has been given.

Q448 **Anthony Browne:** You mentioned earlier that Google now requires financial services advertisers to be FCA-regulated. A promotion of investments is required to be FCA-regulated—can the Treasury not require all advertising to be compliant with that regulation, so that all advertising of financial services products across social media is by FCA-regulated providers?

**John Glen:** The FCA would be the place to do that.

Q449 **Anthony Browne:** A lot of social media companies still advertise financial services promotions that are not FCA-regulated.

**John Glen:** Of course, and that is what we have to get to the heart of in this legislative opportunity. We cannot have something that purports to solve it while there are the gaps that you have set out.

Q450 **Anthony Browne:** Does the FCA have the powers to do that of itself, or



would it require legislation? Google did it voluntarily.

**John Glen:** I am not certain where the legal boundaries would lie on that. The FCA does not have unlimited powers by itself; it has powers for its entities. We are talking about the interface between the platforms and the advertising.

**Anthony Browne:** It is cross-cutting, yes.

**John Glen:** It is not an FCA issue—it is about how we legislate where the online platforms take revenues from and on what basis.

Q451 **Anthony Browne:** I have one other issue to raise, on a case that came to me. I will show it to you. It is about Old Mutual, which is a wealth management company. These adverts were shown on social media for a 7.5% guaranteed return—that's very good, isn't it? Lots of people invested huge amounts of money in it. They went to an incredibly convincing website that had been set up under the Old Mutual name—it is a good company with a long track record. They found out it was a scam only when they were not paid any interest, when they went to the real Old Mutual company and said, "You aren't paying interest," and the company said, "We don't know what this is about." It was nothing to do with the company—it was an impersonation. Scammers are impersonating FCA-regulated companies. There have been quite a few examples of that. The problem for the company, and others, is that although Google might say, "We'll only advertise FCA-regulated firms," it is not necessarily checking whether the firms are actually regulated by the FCA or whether they are impersonating those firms—it is just checking the names.

**John Glen:** We are in dialogue with the FCA over access to its registers to find a verification mechanism in order to make that real.

Q452 **Anthony Browne:** That is happening, is it? To stop impersonation of FCA-regulated companies.

**John Glen:** My understanding is that it is happening. The FCA is pleased with the dialogue and the work that is going on to achieve that. That is a classic example of something that should not happen in that environment, where they only take advertising from a legitimate company. Between us, we have expressed considerable frustration about this unresolved matter, and we have got to deal with it.

Q453 **Dame Angela Eagle:** There seems to be an awful lot of activity being generated, but no real effect on the outcome, which is rising levels of economic crime across the board. What is not connecting up? How come we have all this effort and no effect on the outcome, Mr Glen?

**John Glen:** I think it goes to the heart of the complexity of economic crime and the different supervisory networks and responsibilities that exist. In my domain, we have the supervisory regime for the Financial Conduct Authority, which has a significant role, as we have just covered.

**Dame Angela Eagle:** We know that.



## HOUSE OF COMMONS

**John Glen:** I will not be able to give you a single bullet, so if you want to ask a specific question—

Q454 **Dame Angela Eagle:** I am not suggesting that there is a single bullet because it is complex and cross-cutting. However, coming here and describing your frustrations, but not coming up with anything that has an effect on the outcome is not going to please many people either, is it?

**John Glen:** I think we have set a clear pathway over a specific piece of legislation. We cannot give you the timetable for it, but we have described where a key area needs to be resolved around online advertising, which is a significant source of much of the fraud we are dealing with in terms of escalating crime. We can talk about fraud or anti-money laundering.

Q455 **Dame Angela Eagle:** I am going to ask you some questions about the transparency of company ownership very soon, but I want to ask you, Mr Hinds, about enforcement. As a fraudster, you can make vast amounts of money by promulgating these false websites, by mass texting people or through scamming people. You can make vast amounts of money from scamming totally innocent victims, and the chances of ever having to pay for it or ending up in court are virtually nil, aren't they? Are we really falling down on enforcement?

**Damian Hinds:** They are not nil; there were 3,300 fraud prosecutions last year.

Q456 **Dame Angela Eagle:** How much fraud was there? A lot more.

**Damian Hinds:** A lot more than that, as you know. Just bear with me; give us a chance. You are right, Dame Angela, that a lot of criminals have moved from their old crimes. They have discovered that you do not have to leave home. You do not have to put yourself at personal, physical risk. You do not have to see your victim; you can do it from hundreds, or sometimes thousands, of miles away. It can be different countries that these people are operating from. In what I call "distance crime", which covers fraud, cyber and wider economic crime, this is a growing trend, and the technology that underpins it is changing the whole time as well. As I was saying earlier, you have to work very hard just to keep up, but you are quite right: fraud has been growing and our capability has to grow to match it. We have been doing that, and we have more investment coming from the spending review.

Q457 **Dame Angela Eagle:** Action Fraud is a joke. If you want to get away with the ill-gotten gains of crime, fraud is a pretty good way to start. You are representing the Home Office. What are you doing about it?

**Damian Hinds:** I was partway through my answer, Dame Angela.

Q458 **Dame Angela Eagle:** You are being very good at describing how difficult it all is, but what are you actually going to do about it?

**Damian Hinds:** You are very kind, Dame Angela—you probably do not mean to be. I was going to say that with some of these things we are talking about such as copycat websites, which is a big issue, we have now



## HOUSE OF COMMONS

got the National Cyber Security Centre, part of GCHQ, deployed on that. They have taken down 50,000 scams and about 100,000 universal resource locators—that is, webpages. We will deploy the capability of the UK intelligence community further. We have been building up the National Economic Crime Centre and building up capability in the National Crime Agency. I know you had the head of the NCA here in a previous hearing, but we have more to do. That is the flavour of what we are trying to get across. We have not come here just to describe our frustrations. We have come here to be held to account, rightly, by you for what the Government are doing and where we think we need to go further. That is what I have been trying to cover.

**Q459 Dame Angela Eagle:** Hopefully enforcement levels will soar in the next few years and those fraudsters out there will think twice about trying to make their money in this way. Let us hope that that happens.

**Damian Hinds:** Yes, we need a totally end-to-end approach, which does include an increase in enforcement. It also includes improvements in what we were just talking about—designing out the problem—and greater consumer and small business self-protection enablement. It includes seeing the link with cyber, because when you have a cyber-attack on a business, they steal your account details and they take money from you that way, so we need to make sure that UK plc is better protected against cyber-attacks. A whole range of things really have to get better, and that is before the next developments come along from the criminal fraternity, which come along with great frequency. That type of crime is developing far quicker than armed robbery or burglary ever did, so we need to constantly keep upgrading, amending and evolving our approach.

**Q460 Dame Angela Eagle:** I hope that we will see some improvements soon. John, opaque corporate structures pose a real threat—the Government have said as much—so why has there been no progress for years in making them more transparent?

**John Glen:** As I think you know, in 2016, the UK was the first to pledge the register of overseas entities that are beneficial owners of UK property. Following the Financial Action Task Force report, “Mutual Evaluations”, in which we got one of the highest ever ratings in December 2018, there was also a commitment to improve our Companies House data. BEIS brought forward their response to that in September last year. In the recent spending review, we put another £63 million into that. Again, the legislative moment for that cannot come soon enough—

**Q461 Dame Angela Eagle:** When it is due to be introduced though? 2025 is what I hear, which is nearly 10 years after you announced that it was a problem.

**John Glen:** That’s news to me; I do not know it is 2025. All I can say is that it will be led by BEIS and we look forward to hearing when it will move forward. I absolutely recognise that that is a pledge that we made. We have shown leadership in that. In many areas, in terms of the FATF evaluation, we are one of only five countries that passed for the beneficial ownership transparency. But you are absolutely right that we need



## HOUSE OF COMMONS

primary legislation to enact it and we have not had that yet. It has obviously been a challenging period—

Q462 **Dame Angela Eagle:** Come on, you're a Treasury Minister. The Treasury can get Bills when they want them.

**John Glen:** Well, I just took one through two weeks ago and we took one through six months ago, but I am not the lead in this area. It is a BEIS matter, but I have set the context. There have been resources to accelerate the pace of Companies House reform, which I recognise is very important. I hope very much that the Leader of the House and others will think carefully about the urgency of the timetable.

Q463 **Dame Angela Eagle:** I think it is the Companies House changes that are due to be completed by 2025. Why can they not be done faster?

**John Glen:** We have just put in some more money in the spending review to assist with that—£63 million is quite a significant sum of money for that specifically—

Q464 **Dame Angela Eagle:** Is that between now and 2025?

**John Glen:** It is in the next spending period, so over the next three years.

Q465 **Dame Angela Eagle:** So do you expect that after that, given that the money has been allocated, the Companies House reforms, which will make it much more transparent and clear who actually owns the companies that maybe scammed us out of furlough payments—

**John Glen:** Absolutely I do. The Chancellor wants value for money with those allocations.

Q466 **Dame Angela Eagle:** So that will be done by the end of the spending review period then.

**John Glen:** I sincerely want to see significant progress. That money has been allocated to speed up the process of Companies House reform. As you know, I have been in this job for a while and that mutual evaluation was on my watch in December 2018. That was one of a very small number of deficiencies that we needed to work on, and I want to see that corrected.

Q467 **Dame Angela Eagle:** That is something we can certainly watch out for and look forward to improvements. I have one final question. Anonymous shell companies, which featured so much in the FinCEN leaks, are used for money laundering and suspicious activities when nominee owners are in tax havens. Why can't we do something about that much faster than we appear to be doing and get transparency into this particularly difficult part of the system, which makes it much easier for money to be laundered and for nefarious activities to be successfully conducted?

**John Glen:** We are talking about these TCSPs—trust and company service providers. HMRC is responsible for those. TCSPs are one of 37,000 entities that it regulates. It has made 2,000 supervisory interventions, and it is also trying to move forward the fit and proper test at the outset.



Q468 **Dame Angela Eagle:** What do the supervisory interventions consist of?

**John Glen:** That would be making this test in terms of the individuals who are setting up these entities and what they want to do about it. Again, given the volume of numbers here, it will be based on a risk-based approach, but you have identified an area where there has been a weakness that needs to be challenged and improved. HMRC is working on that. In 2016, it introduced a "People with significant control" register. The following year, in 2017, it tightened it up for Scottish limited partnerships, which has significantly reduced the number of those that have been set up.

Q469 **Alison Thewliss:** You hardly fine anybody for not registering. There are still hundreds of—

**John Glen:** The volumes have gone down massively. There have been £9.1 million of penalties issued by HMRC. I think this is something where a lot of progress is being made, because transparency around directors, and the fit and proper test around what they are doing, has tightened things up and will continue to do so.

Q470 **Dame Angela Eagle:** Perhaps you could let us have more information about what has been done specifically in that area with those companies, Mr Glen?

**John Glen:** I would be happy to write to the Committee. Thank you, Dame Angela.

Q471 **Gareth Davies:** I will split my time into two parts, if I may.

**John Glen:** Start with him.

**Gareth Davies:** Fine, I will do that—and save the best for last, John. I will start with Home Office strategy and continue with crypto-crime, John, so get ready.

As Dame Angela was saying, there is a lot going on. In the Home Office, there are three different strategies that I can see: the economic crime research strategy from May 2021; the Beating Crime plan, which included an economic crime element; and the joint fraud task force, which was relaunched in October. As relates to economic crime, are these designed to be complementary in tackling economic crime, or do you think there is an element of competing execution?

**Damian Hinds:** They are designed to be complementary. For completeness, Gareth, I ought to say that there are more entities than those you mentioned. Can I mentally draw my picture of how I see this? In a Venn diagram, there are three big circles: one is fraud; the second is economic crime, principally meaning moving money around and money laundering; and the third is cybercrime. They are all closely interrelated, so when you bear down on one, it has a beneficial effect on the others.

If you add up the number of incidents in those three areas, that is now the majority of crime these days. But if you think about all that they enable, actually all serious and organised crime essentially has a big money



## HOUSE OF COMMONS

laundering element to it. Almost all crime has some kind of online element these days. So those strategies are complementary with a great deal of overlap, but they have different characteristics.

With fraud, there is a continuum of high-volume, relatively small-value fraud, up to a relatively small number of big impact frauds. With cyber, there is a big multinational aspect to it at the high end, with huge sums of money being extorted through ransomware, and we have been talking quite extensively about money laundering. You do have to see all these things together, but it is so big and covers so many different facets, that it involves quite a lot of different parts of Government.

The Treasury and us—John and I specifically—work very closely together. As we were talking about earlier, on the Online Safety Bill, I also work closely with Chris Philp and Nadine Dorries in DCMS. The Cabinet Office takes the lead on fraud against Government and the public sector. There is a big anti-fraud function within HMRC. For DWP, obviously benefit fraud is a big area. There is even education fraud, which I saw in my previous role. There are lots of different aspects to it.

**Q472 Gareth Davies:** I think we all appreciate that there are a lot of moving parts to it and lots of elements. Your explanation is actually very helpful in breaking it down and showing how the overall Home Office strategy relates to those component parts, but one of the criticisms, as you have heard already today, is that there is a lot going on but not much progress being made in tackling fraud, for example.

One of the questions I had was on the joint fraud taskforce being relaunched. Some believe that was because it wasn't very effective, so you had to relaunch it and almost reform it. What was the reason for the relaunch?

**Damian Hinds:** The joint fraud taskforce was originally started by Theresa May in 2016—Duncan will correct me if I get any of these details wrong—and was initially, and until recently, chaired by Cifas, so it was a sort of sector-chaired body that brought together industry, Government and victims' organisations and representatives. My predecessor, James Brokenshire, took the decision—rightly, I think—that in order to give it the maximum velocity, it made sense to have it chaired by a Minister.

The group has met since; we've reviewed the three new sector charters that we have, which are with retail banking, telecoms and accountancy, and we want to increase that further. The joint fraud taskforce is a key forum to bring together lawmakers, law enforcers, the Department and Ministers with industry and those who represent victims, and so on, and it has a very practical focus.

**Q473 Gareth Davies:** So it was relaunched having been beefed up with three new charters, as you say, to define more clearly its mission.

**Damian Hinds:** Yes. It has been both relaunched and evolved, I think it is fair to say. It is different, and it is doing more things, but also there has





been quite a lot of crossover in personnel, from who was there before to who is there now, but it is not exactly the same.

**Q474 Gareth Davies:** Okay. Moving to the Treasury and John, in October, we had the chief legal officer of Santander in front of us, who made quite a bold statement that, I think, 80% of criminals arrested by the dedicated card and payment crime unit were found to have some form of crypto-payment mechanism on their mobile phones. In May, the NCA also published a report stating that the pandemic has exacerbated the use of cryptocurrencies by criminals because, as businesses have been closed, they have not been able to move cash around. What is your assessment of the significance of cryptocurrencies in money laundering and in criminal activity more broadly?

**John Glen:** I would start with the national risk assessment from last year, which said that the risks associated with crypto-assets are “medium”, but it is certainly not getting any easier. Part of the challenge is that the proliferation of cryptocurrencies, and the different basis for them, means that the challenges are becoming more complicated and difficult.

From January last year, as you will know, the FCA became the anti-money-laundering and counter-terrorist-financing supervisor for these types of firms. Firms must demonstrate what controls and procedures they have in place, and the fit and proper test for beneficial owners has to be in place. The FCA has approved 17 of those firms, there are 50 on the temporary registration regime, 169 have withdrawn their applications or been refused registration, and 64 are not on the temporary registration regime, with applications pending.

However, we have also consulted on bringing certain crypto-assets, including Bitcoin, into the scope of the financial promotions regulations. That would create more of a level playing field in terms of the expectations of fairness and clarity that exist across the financial services industry more broadly. We will be publishing a response on that in due course—I hope that is very soon, because I recognise that it is urgent. There is commentary in the press all the time about how we need to move forward with this, and I totally understand that. As I have said, there are a range of actors; it is about bringing those that are legitimate into regulation, so that we can then focus on what is out there that is not in that space.

**Q475 Gareth Davies:** Those numbers are really helpful. However, I will add to your list of numbers that the FCA has said that there are over 200 crypto-businesses that are unregistered. My understanding is that these are still able to trade. Why is that allowed?

**John Glen:** It is about what enforcement regime we can put in place, and how we do that. That is something that we have to resolve. In the same way that there are people who have scams out there, we put out warnings and we make the financial promotions regime an important part of the legitimisation of legitimate actors. However, clearly people should not be investing in things that are not regulated entities and are outside of the scope of those regimes.



Q476 **Gareth Davies:** I think that some people will regard it as a little dangerous that you have asked firms to register with the FCA—they come under the purview of the FCA—yet so many firms are able to continue.

**John Glen:** The thing is, we are not in a world where it is just about the UK—we are in an international environment. When I think about stablecoins, cryptocurrencies or central bank digital currencies, there are a range of views and a range of regulatory approaches. In a world where financial services in the UK are very important, and we are a very respected jurisdiction, we have a responsibility to take a leadership role, but to do so using principles that G7 and G20 countries operate on. We cannot act independently in a way that causes risk, because we are in a global online environment.

Q477 **Gareth Davies:** That is fair enough. This is my last question. Ordinarily speaking, as a country we welcome financial innovation. Do you welcome the emergence and the significant growth of cryptocurrencies, or do you see it posing a risk of economic crime, as well as a risk to other aspects of our regime?

**John Glen:** They introduce some fundamental new challenges. The payments landscape changed, and cryptocurrency will be another innovation. Distributed ledger technology, in its application to wholesale markets—as you will have personal experience of—is quite challenging but also an opportunity. Obviously, the verification of transactions in new ways can provide greater assurance. However, securing a consensus on how to do this in a way that creates a reliable regime, where people can be clear about what they are investing in and why, is something that regulators across the globe are battling with. I went to Washington in September and spoke to the SEC and the commodities regulator; there were a range of views over how we actually classify these types of assets. Are they a speculative investment product or are they currency? The range of views reflects the complexity in defining what these entities are and how we move forward.

I want the UK to be a competitive jurisdiction, but not one that is reckless about consumer risks. I want us to use the wholesale advantages that exist in the wholesale market, but in a way that puts us in a strong position with strong regulations, because our reputation globally is based on high standards, not out-competing on the basis of lower standards.

Q478 **Emma Hardy:** Good afternoon to all of you. Before I move on to my main points, may I ask about Action Fraud, Damian? Forgive me if it is not directly under your jurisdiction. I feel that sometimes we forget the real humiliation that people feel when they have been defrauded—humiliated and belittled. In my personal experience, Action Fraud do not tend to look at low amounts, or their idea of low amounts. A fraud of a few hundred pounds tends to not be followed through or prosecuted because Action Fraud feel overstretched and under-resourced. What is being done to address that to give Action Fraud the resourcing that they need to really tackle this properly?



## HOUSE OF COMMONS

**Damian Hinds:** First, I concur with what you say about what can feel humiliating, deeply upsetting and even traumatising, depending on the nature of the crime. It is not just about amounts of money. Even if you get it back, it is still a deeply horrible thing to go through. Romance fraud was mentioned earlier. It is utterly disgusting that someone would do that to a fellow human being. I might ask Duncan to talk about the matrix that Action Fraud uses. It is not just about the amount of money involved. It is a lot about how possible it is to proceed and if there is enough evidence. Duncan will say something about that.

I also want to let you know that we are replacing Action Fraud because we understand that it is not where it needs to be. There is a process going on at the moment to find a new body to run it. That process takes time because it is a big Government procurement. I wish it were quicker, but on the other hand we need to make sure we get it right. That will increase the capacity of Action Fraud. It will mean a new IT system. That is very important because you are handling large volumes of material. Also, it is very important that we improve the victim support that you mention.

On the specifics about how Action Fraud go about deciding what can be proceeded with, Duncan will speak to that.

**Duncan Tessier:** I think you have covered it well, Minister. Essentially, it is a criterion based on the amount of harm caused, the number of leads that Action Fraud can discern from what has been provided by the member of the public, and whether they can see connections to other cases so that it can be brought together to a larger package. Action Fraud, through the National Fraud Intelligence Bureau, which is connected with Action Fraud, will triage those cases, and the cases that have the highest chance of prosecution are then disseminated out to the appropriate force to take that forward. As the Minister said earlier, because of volumes the possibility of covering every single report of fraud is unlikely to be possible, so—

Q479 **Emma Hardy:** I understand, but those people get away with defrauding other people and face no punishment. People feel humiliated and are out of pocket because of it. That is the reality at the moment.

**Damian Hinds:** Yes, and there is a string of things that we need to do about that, Emma. One is about the replacement for Action Fraud and improving that delivery, but it is every other point on the chain as well. It is about, in the case of romance fraud, that initial contact and purporting to be somebody you are not. It is about where that takes place and how you can stop it. It is about empowering consumers, stopping money flows, and what you can do after the fact. All of these things need to be addressed, but you are right that Action Fraud and enforcement is an absolutely essential part.

Q480 **Emma Hardy:** That leads on quite perfectly to what I was going to ask you about, John. The previous Treasury Committee said, "We recommend a mandatory 24-hour delay on all initial or first-time payments, during which time a consumer about to be defrauded could remove themselves



## HOUSE OF COMMONS

from the high-pressure environment in which they are being manipulated.” That recommendation came from the previous Treasury Committee’s inquiry into economic crime. Do you agree with it?

**John Glen:** As I was saying to the Chairman earlier, what I agree with is the fact that we need to take account of the different ways that fraud happens from different types of provider. What I am concerned about is that there are different rules and protocols in place for both prevention and reimbursement across banks and new types of payment.

I am clear that we have to work to reach a comprehensive set of solutions across what the PSR are doing and what Pay.UK are doing, and work with the Open Banking Implementation Entity as well, because we are seeing such an expanding number of actors that it seems to me that what we need is something that is effective in dealing with the prevention. I mentioned earlier the intervention with respect to verifying payee, which is important, but it has to go further than that, with more types of players.

Q481 **Emma Hardy:** But just to clarify, you wouldn’t support a mandatory 24-hour delay on payments?

**John Glen:** No, for the reason that I think people’s expectations of their payment systems are that they are more efficient. It seems to me that the presumption behind that recommendation is that if you put the delay in place, everyone will be protected. I think we need to put more emphasis on the prevention rather than slowing down legitimate payments for everyone.

Q482 **Emma Hardy:** This may be a question for banks, but you may be able to answer it, John. Is there a way for banks to flag vulnerable clients—for example, people with dementia, people with Parkinson’s disease or people with cognitive conditions—whereby they could be given the option for that 24-hour delay, so that it was something people could opt into? Is that something that you would look at?

**John Glen:** That is something that would be best asked of the FCA and the banks. However, in the whole area of vulnerable customers and how they are treated, many banks have very sophisticated ways of dealing with individuals. Sadly, there will always be some who do not get absolutely the best treatment possible, and I would expect the banks to make good in those situations where they were supposed to have made reasonable accommodations but had not done so.

Q483 **Emma Hardy:** Going to the payments, if you do not support the 24-hour delay, do you think there should be a single limit for all banks, with formal and clearly understood checking procedures? At the moment, it seems that banks are making up their own rules and there is no clear rule to limit how much you can send quickly; it depends on your bank and your provider. Do you think there should be clarity whereby nobody can spend more than a certain amount? I think at the moment the limit is £250,000, which seems quite a high amount to be able to send instantly.



## HOUSE OF COMMONS

**John Glen:** I am not exactly sure what limits are in place, but you certainly move to a different payments vehicle, called the clearing house automated payment system, or CHAPS, for example if you go over a certain amount.

What I favour is better and more effective means of verifying payees before transactions take place, because if those things become more sophisticated and the level of security and assurance becomes more effective, we can still have the vast majority of people enjoying faster payments, which I think is really important. Technology is providing many improving ways to do it. That is why we have fintechs and new entities entering into the payments world, because they can sometimes do things with greater levels of assurance than the banks can in terms of upgrading a whole system.

Q484 **Emma Hardy:** You do not foresee there being a need for a statutory limit for all banks, other than the £250,000 limit?

**John Glen:** No, because I do not think that that is the right approach. The right approach is to work on improving it for everyone, not just stopping it, because technology changes all the time, and we can give a level of assurance that we would not have dreamt of five years ago.

Q485 **Emma Hardy:** On a different issue, which I raised in written questions with the Department and was about the contactless limit increase—

**John Glen:** From £45 to £100?

**Emma Hardy:** Absolutely. I have been contacted by constituents asking for it to be returned; they did not like having the increased contactless limit. Should we not be looking at a system in which people can opt into such changes, rather than one in which they have a change imposed on them and it makes them feel vulnerable to fraud, or unable to manage their money as effectively?

**John Glen:** The FCA did a consultation and there was a range of views. I certainly recognise that some people felt that, but overall we looked at what was happening internationally, and the new rise from £45 to £100 made for a reasonable comparison with what is happening in other jurisdictions. On the whole, I think, people welcomed the additional freedom. I do not think that it would be practical to have a two-tier system in which people may opt in or opt out—

Q486 **Emma Hardy:** That system works with the amount of money you can take out of your bank—the bank can set limits on how much you may withdraw in cash—so it seems a bit odd that you could not have something similar for contactless.

**John Glen:** That is a bit different, because we are talking about a system that would be related to the payment machines and providers everywhere. That decision has been made. I recognise that there was not 100% consensus, but there was a clear view that this was worth doing and it took account of what the limits are in other jurisdictions, so we are not an outlier if you look at what is happening in other countries.



Q487 **Emma Hardy:** Finally and quickly, what could be done to make faster payments more secure? If you are keen for them to proceed, what are the Government doing to make them more secure?

**John Glen:** It is the responsibility of the payments regulator, the PSR, and it will be bringing forward some more work on that. It wants to see more work on the confirmation of payees, and it set out some measures just two weeks ago on how to improve fraud prevention and reimbursement. I am happy to write to you about that, but the document of 18 November sets out some of the plans the PSR wants to put in place. That is the best place for us to start. I do not have the details in front of me, but that is the latest word on that subject.

**Emma Hardy:** Thank you.

Q488 **Rushanara Ali:** Good afternoon. I have been on this Committee for a while, and this is the second inquiry on this topic that we have done in my time. It feels like groundhog day at times, so forgive me if I sound slightly frustrated—like you both did earlier. I have some questions about the role of companies, and liabilities and losses. I will also come on to wider questions about organised crime and fraud. Ministers “urged to make tech giants responsible for scams” was a headline earlier in the year, and that included by City of London police, the consumer body Which? and a bunch of others. A fellow member of this Committee made recommendations in his former life, as well as more recently. Do you think that online companies should now be made responsible—we have talked about using the Bill—for paying customers back when they have been responsible for hosting advertising that leads to people engaging in activity that is fraudulent?

**Damian Hinds:** Rushanara, I absolutely see the logic of what you say. I have said before and have been quoted as saying that I want everyone’s incentives to be aligned. Right now, the banks have a strong incentive not to have fraud taking place through their channels, because they incur a cost. In other parts of the economy, there is not that incentive, and in some parts, you could even say that there is an incentive the other way. I don’t think that people think this way, but you can see how it could happen that if you are receiving advertising revenue as a result of people defrauding others, your incentive might be in the opposite direction. I want us to find a way to ensure that everyone’s incentives are aligned.

What you are saying comes back to what we were talking about earlier, the overall question of fraudulent advertising. I do not think either of us has an announcement to make today about a new or different approach, but we are very alive to the issue. As I say, we want to line up those incentives: the question is how best to do it.

Q489 **Rushanara Ali:** I suppose what I am getting at is that we have learned a lot about the need for banks to know their customer and so on, yet the online space has given way to abuses, and John mentioned having to clean up the mess of LCF and the compensation scheme and so on. We have seen the consequences in terms of the impact of people’s life



## HOUSE OF COMMONS

savings being taken away, so we know the problems and we know the complexity.

The question is a very simple one. It is not good enough for Google to make a mockery of the regulator—the regulator having to pay them to take off fraudulent adverts—and then be exposed by Committees like ours and in the press before they come back and say, “Okay, we’ll do something different.” Shouldn’t they be liable? These companies are profiting, making hundreds of millions of pounds. As a point of principle, should they not be made liable for the consequences for our constituents? Yes or no?

**Damian Hinds:** That is a very good question, Rushanara. To be fair, it is the same question you asked previously, so my answer is the same as well. That is not dodging the question: it is just that that is the answer: we want to line up people’s incentives. I certainly do not want there to be a counter-incentive in terms of making revenue out of this. I want those running the commanding heights—if that is not an inappropriate phrase—of the online world to be working actively to bear down on this activity. It is one of the reasons we are so keen to—

Q490 **Rushanara Ali:** Money talks, with respect, Minister. If you said you are going to fine them—

**Damian Hinds:** Rushanara, I am on your side. I agree.

**Rushanara Ali:** I am just looking for a straight answer.

**Damian Hinds:** Well, Rushanara, I have given you the answer. It wasn’t even an evasive answer: it was the answer, and the answer is, “Yes, we need to make sure that everybody is rowing in the same direction.” There is no announcement that John or I have to make today about a new Government policy on that, but we are very alive to it. The discussions around the Online Safety Bill are part of that, but there are other possible vehicles as well.

Q491 **Rushanara Ali:** My last question for you on this is whether online companies should basically have a duty of care to customers. Should there be a duty of care?

**Damian Hinds:** Yes. When you grow to be such a big part of people’s lives—we talk about platforms, but these big companies are bigger than any broadcaster in the world, bigger than any traditional PTT telephone operator, bigger than any newspaper bigger than countries—that comes with a responsibility, because you are part of our world and part of our societies. It is not “should they have a duty of care?” They do have a duty of care.

Now, exactly how you codify that in legislation is an important question. I do not know whether behind your question was the way that the Online Safety Bill has evolved from the original online harms Bill, and talk of an overarching duty of care. If that was what was behind it, I can give you an answer, but I will not otherwise, because it might take a short amount of time.



Q492 **Rushanara Ali:** No, it is in relation to fraud, as well as the other harms.

**Damian Hinds:** I think there is a responsibility on everybody, but particularly when you are that large, and in some cases almost inescapable as a part of life—effectively a sort of utility that everybody uses—you absolutely have a responsibility to make sure that it is a safe place where everybody can get the benefits of e-commerce and the information revolution, and should not be having to think the whole time about who might be trying to rip them off.

**John Glen:** Could I come in on that, Rushanara, with respect to financial services and duty of care? You know that the FCA is consulting on a duty of care specifically, which was an amendment in the Financial Services Act, and I think financial services companies are increasingly frustrated by the asymmetry of regulation. They are expected to have a duty of care, and obviously the details of how that works out are in play and in discussion at the moment, but online actors and other providers do not have that same oversight, so I very much endorse what Damian said: we need to have that embedded. The question is how we do that, and obviously we have discussed it with respect to online safety.

Q493 **Rushanara Ali:** Just one more for you on this: how much lobbying is going on by tech companies about going easy on them, whether in your respective Departments or in DCMS, to your awareness?

**John Glen:** We have a transparency return; I put every single meeting on that, and it is available. Online, I have met the UK and Ireland CEO of Google—I am transparent about all meetings I have had—and I don't think that there was any particular lobbying. He was meeting me to tell me what was about to happen, I think.

Q494 **Rushanara Ali:** I am making the point because these are powerful, big companies with a lot of resources. When we had evidence from Facebook, Google and others—I forget the other one—there were quite different emphases on what kind of regulation is needed. They have very slick operations, which I want to understand better.

**Damian Hinds:** I think that members of your Committee and those of us on this side of the table would all be rather surprised if there were not quite a big public affairs and lobbying operation from some of those companies.

Q495 **Rushanara Ali:** I suppose I am looking for an assurance that that will not sway Ministers, including in DCMS and BEIS, to do anything—

**John Glen:** I think that makes us even more determined to step apart from that. I meet lots of financial services firms all the time as part of my job, but I don't want to be in a situation in which I am seen to be compromised by anyone. I must do what is right, and that is what I always strive to do, as I am sure Damian does.

**Rushanara Ali:** Glad to hear it. Did you want to come in, Damian?





## HOUSE OF COMMONS

**Damian Hinds:** I was just going to say that that is why we are in this business.

Q496 **Rushanara Ali:** Damian, I am conscious that you only started the job recently, but in 2016, when your predecessor but a few back, Ben Wallace, was Minister, I think, and coinciding with the programme “McMafia” coming out, according to the NCA figures about £90 billion a year was being laundered of through the City of London. Can you shed some light on that? At that time, there was a real impetus to do more about bearing down on dirty money flowing through the City of London. What is the figure now, and do you feel that enough progress is being made across Whitehall against all such activities to bring that figure down significantly? Given your very exciting brief, what will you do to address that issue and to clean up the City of London as a route for dirty money?

**Damian Hinds:** Rushanara, London is a global financial centre. Yes, there is dirty money in London; there is dirty money in all global financial centres. London and the UK as a whole, but particularly London and the areas in and around it, attract people from other jurisdictions, because of London itself, existing diasporas, culture, schools their kids can go to, economic interests and the English language. All sorts of reasons bring people here.

We take that issue extremely seriously. You asked what the estimate for the amount of dirty money is. In terms of money laundering overall, that is in excess of £100 billion. I think it is fair to say that there is no reliable figure for what that is, either from Government or from outside sources. We have a better handle on cash-based money laundering, which is about £12 billion a year—huge sums of money. Overall, as I mentioned, money laundering underpins serious and organised crime, which we estimate itself costs the UK economy £37 billion a year. We take all that extremely seriously.

You asked what we are doing about it. The National Economic Crime Centre is now there. It is a relatively young body, but it is there to provide system leadership. We are reforming the SARs operation, which Duncan might speak about in a moment, if you allow. We are recruiting more people to the UK Financial Intelligence Unit. We are going to be recruiting 75 altogether; 40 of those are in place already. We have also been putting people into the regional organised crime units. So a great deal is going on, but as you rightly identify, it is a significantly sized problem and needs a great deal of attention. Is it all right if—*[Interruption.]* Oh, you want to move on. That’s fine.

Q497 **Rushanara Ali:** I think my colleague Alison is going to come in on that in much more detail, so I’ll leave it for her.

I just had one other question, which is unrelated, for either of you or just to take away. It relates to freehold owners of blocks of flats. This issue has come out post Grenfell, when many of us are struggling to get to the bottom of who owns the freeholds of blocks of flats. Some of them take us back, as you will be aware, to tax havens, and it’s proving really



## HOUSE OF COMMONS

difficult to get to the bottom of ownership, which I guess partly links to some of the earlier questions. I just wondered whether the Treasury, in particular, or BIS is doing any work to identify, build a picture of, those companies and who is accountable for what, because those of us who have constituencies with large numbers of private blocks with freeholders are really struggling. Quite a few of them are registered in places like the Cayman Islands, and it's really difficult for residents—leaseholders—to try to find out so that they can then get clarity on who should pay or who should apply for grants from the Department that is allocating funds from the Building Safety Fund. This means that, in the event of another Grenfell—we have had a number of fires in my own constituency, albeit thankfully not a fatal one yet—trying to get accountability is going to be very difficult. There is a financial dimension and an ownership dimension, and I just wondered whether you had any comments on that or whether you could take it away if you don't.

**John Glen:** I think it goes back to the point I made earlier about the legislative agenda around the Companies House reform and the register of overseas entities that are beneficial owners of UK property, because that is where greater transparency would assist in that regard. I totally recognise that that is an urgent priority. We can't announce today—because it's not our prerogative to do so—when that legislation will be available, but that goes to the heart of it: it's these entities where the ultimate ownership is through a convoluted structure, through maybe multiple jurisdictions. We have shown a willingness in the G7 to take a lead in getting this on the agenda, but it's now incumbent on us to deliver it, and I think we are united on the desirability of an early resolution of that legislative timetable.

**Rushanara Ali:** Thank you.

Q498 **Chair:** Thanks, Rushanara. Before I come to Julie, can I just go back to one thing, Damian? You said something that I found slightly intriguing. You were talking about the alignment of incentives for the online platforms so that it wasn't in their interest to actually facilitate the scamming, and you said that that could come by way of the Online Safety Bill or that there may be other ways of doing it—or you said something to that effect. What have you got in mind? What things might there be other than this Bill that we are all pushing for?

**Damian Hinds:** First, it is worth saying that I am sure the vast majority of people working in these platforms have the same hopes and fears and moral sense that people in this room do. When I say "align people's incentives", I am not meaning to suggest that people are automatically predisposed to do the wrong thing. I hope people are automatically predisposed to do the right thing, but we need to make sure that P&L in effect don't run counter to that. We were talking earlier about the Online Safety Bill. There is also the wider online advertising programme, which is DCMS-led. Those are the two main things that are under discussion at the moment, but I wouldn't rule out other ways of doing it, either.

Q499 **Chair:** What sort of things do you have at the back of your mind there?



**Damian Hinds:** I don't know, but if, for example, your Committee were to come up with suggestions, those are things we would look at very closely. Again, I think I can speak confidently for both of us in saying we are in the market for further ideas—further things that could possibly be done right across the space—and your Committee is in a very, very good position to contribute to that.

**Chair:** Thank you. Julie?

Q500 **Julie Marson:** Thank you, Chair. I have some questions about Treasury funding for tackling economic crime, so they will probably fall to you, John. Perhaps I could start with you. It is clear to everyone that the scale and complexity of economic crime, let alone its consequences for individuals and the integrity of our financial systems, is eye-watering. Is the Treasury truly committed to providing funding across Government Departments—whatever they need—to tackle this issue?

**John Glen:** I am very careful about saying that we give everything that anyone needs, but let me just take you through the spending review and some of the specifics. In the recent spending review settlement—the economic crime levy will give us £100 million in '23-'24—we will have combined funding totalling £400 million to deal with the economic crime need. That is new investment for the Home Office of £18 million for '22-'23, and £12 million for '23-'24 and '24-'25, plus the continued £30.5 million per annum that RDEL announced in the previous spending review.

I mentioned earlier the extra £63 million across the spending review for BEIS to accelerate the Companies House reform. Obviously, that is a key priority coming out of FATF and just generally. We have worked to implement the collection mechanism through the Gambling Commission, FCA and HMRC across the 25 PSBs for the economic crime levy, which is another contribution of £100 million. That is the amount of money.

As to whether that is enough, I am sure that as those things evolve over the next three-year period, there will be questions about the distribution of that. Of course, as I mentioned earlier, HMRC and the FCA have an ongoing regulatory obligation—certainly in the FCA's case, they are funded by the levy and fees that they can charge. Obviously, they issue fines, and that goes into the public coffers as well—not as an hypothecated sum, but as part of the economics of this.

Q501 **Julie Marson:** You mentioned hypothecation and the economic crime levy. How can we be transparent, and how will we know what that is being spent on and whether it is actually going towards tackling economic crime?

**John Glen:** On the purpose of the economic crime levy, there was a consultation on what it should be used for, and it was to be used for anti-money laundering activities, not wider fraud or other areas. It will be important for us to be accountable for using that money in that way. I don't know what else to say, really. Through this Committee and other Committees of the House, there will be the usual scrutiny of all money and how effectively it has been discharged.



## HOUSE OF COMMONS

Q502 **Julie Marson:** We have talked about the Companies House reforms, which are currently being consulted on. We are still an outlier, because it is so cheap to form a company. You can't see this, but we are at the bottom of this graph.

**John Glen:** I get the idea.

**Julie Marson:** Is that sustainable? Are we going to change that, to recognise the true costs?

**John Glen:** Clearly, what we want is a situation where we have as much transparency as possible, and we want to encourage, and make it straightforward for, people to set up businesses in this country. I think that is healthy. What we do not want is a situation where people are setting up companies without due checks on who is doing it and the propriety of that, and then those entities are used as vehicles for fraud. We have to interrogate the data around that, and you have probably heard representations around the gap that exists in the quality of the IT infrastructure supporting Companies House. That goes to the heart of it. The FCA itself has a transformation programme in order that it can be more effective in using data to pinpoint risks in its supervision. Obviously BEIS leads on Companies House reform, but the same principle applies: wanting to maintain openness, but not at any price in terms of the risks associated with economic crime and fraud.

Q503 **Julie Marson:** But is it too cheap to set up a company here?

**John Glen:** You have given me a compelling graph at a distance, but it is not my area of responsibility, so it is difficult for me to answer that without due context. What I do think is important is that significant reforms are under way. We have allocated significant sums of money to be spent in short order to improve their operation. That has got to be done quickly, and the pricing around it is for other Ministers to conclude on.

**Julie Marson:** Thank you very much. That is my questions done.

Q504 **Chair:** Thanks, Julie. That would be the Financial Secretary to the Treasury, in respect of Companies House, presumably?

**John Glen:** I think it is a BEIS Minister, Chair.

Q505 **Alison Thewliss:** I have a number of questions; colleagues have picked up on some of them but not others. I will start with progress so far on the economic crime plan. You both said earlier that you were not satisfied or happy with where things are at. So can I ask you, Mr Hinds: how long do you think it will take for fraud levels to flatten off?

**Damian Hinds:** I want fraud levels to flatten off. I want them to fall. I do not have a way of telling you a moment when that is going to happen. I can tell you that the time to be working on it is right now, and that is what we are doing.

Q506 **Alison Thewliss:** So you don't have any date you would like to put on that?



## HOUSE OF COMMONS

**Damian Hinds:** No, that is not what you asked. I could absolutely give you a date that I would like to put on it, but you asked me a moment ago to predict it. What I think we need to do is work night and day to do all the things that we know and believe can make the biggest difference. So we should reduce the number of people, who, as Emma was describing, are being put through these horrible experiences—and in the worst cases life-changing experiences—and bring down these horrible types of crimes.

Q507 **Alison Thewliss:** Fraud isn't falling, though; it is going up.

**Damian Hinds:** Yes.

Q508 **Alison Thewliss:** How long will it take you to turn that around?

**Damian Hinds:** As I said to Rushanara earlier, that is an important question; and it is the same question you just asked. I want us to turn it around as soon as possible. I want us to do—we will do—everything we can to bear down on the people committing these crimes. I want that to happen as soon as possible. I do not have a prediction in my head for the moment when it will happen. If I did, you would rightly say to me, "Damian, why is it going to take that long? Why can't you do it sooner?"

Q509 **Alison Thewliss:** So what in your view is an acceptable level of fraud to live with, if you are not going to give a date?

**Damian Hinds:** None. We are not in business as Government Ministers to say, "We think this is a tolerable of fraud," any more than we would say there is a tolerable level of burglary or street violence. We are here to absolutely minimise it.

Q510 **Alison Thewliss:** It does not feel from the answers you have given so far, and even the way in which you presented things at the start, that we are anywhere near that—anywhere near getting zero fraud or a reducing level of fraud.

**Damian Hinds:** Alison, to be fair, I did not say that we were near to getting zero fraud. No Government Minister should say that we are satisfied with any level of criminality. We are in the business of trying to make the world, and our country, as safe a place as it can be for people to go about their business and enjoy the benefits of being online, and all that, without constantly having to look over their shoulder worrying about who is trying to rip them off.

Q511 **Alison Thewliss:** To pick up on some of the questions that Gareth asked earlier about the Economic Crime Strategic Board, my understanding is that that has only met three times, and only once since 2019.

**Damian Hinds:** TBF, I think Gareth asked about the Joint Fraud Taskforce, not about the Economic Crime Strategic Board. They are two different things; they bring together different groups of people. The ECSB, as it is known, is due to meet this week. John and I will both be there.

Q512 **Alison Thewliss:** If it has met only three times and only once since 2019, that does not feel like this is any kind of priority?



**Damian Hinds:** That would be an erroneous interpretation of life. We have different levels of entity and board. The Joint Fraud Taskforce meets in the interim. We also have a set-up that meets more regularly, and it does the delivery—whatever the big strategic objectives are, it makes sure that it is actually happening from month to month. In fact, we are meeting, discussing, reviewing and tracking progress very regularly.

Q513 **Alison Thewliss:** How many actions are still outstanding, of the 52?

**Damian Hinds:** Three missed their deadline. Thirty-four out of 52 are completed, and 18 others are well under way. As you will know from looking at the list, which I imagine you have in front of you, there are different sorts of measures in the 52. Some are binary things—you have either done it or you haven't—others are about striving to get ever better at something, or to make deeper partnerships, and on some we might say you will never do absolutely all you could, but you keep trying to maximise what you get out of them. That is where we are: 34 out of 52 completed, and the 18 others under way.

Q514 **Alison Thewliss:** Over the past 18 months, things have been challenging in a lot of different ways, but that has meant that a lot of people went online for financial transactions. Do you feel as though the way in which things are set up at the moment is fit for the task of protecting those people?

**Damian Hinds:** When you say, "the way in which things are set up", do you mean online banking or—

**Alison Thewliss:** I mean this alphabet soup of different boards and organisations doing things.

**Damian Hinds:** Which alphabet soup of different organisations doing things?

**Alison Thewliss:** You talked about different boards, different set-ups and different bodies, with people getting together in different ways—

**Damian Hinds:** You told me that one organisation was not meeting often enough, so I told you that—rightly—in the governance structure there is a structure, a hierarchy. The ECSB, the strategic board, sits at the top, setting the strategy. Below that, we have a group that is focused on getting the delivery done month to month. I would not describe that as an alphabet soup; I would describe that as a functional organisational set-up. If all you are saying is, when normal people go online to do—*[Interruption.]* Sorry, you are not looking happy with my answer.

**Alison Thewliss:** I will let you finish that bit.

**Damian Hinds:** If you are talking about whether online banking or online shopping, e-commerce in general, is properly set up, I think—I said this earlier, and it is John's area rather than mine, so looking at it from the outside—banks have made a lot of strides to put checks into the system to make sure that the person you are paying is who they say they are, and



## HOUSE OF COMMONS

all that sort of thing. Clearly, after all that, we still have a large amount of this fraudulent activity going on, so yes, we need to raise our game further. We need to do more.

**Q515 Alison Thewliss:** If it is a functional organisational set-up, why is fraud increasing, and why are people still exposed to so much risk?

**Damian Hinds:** You are quite right that fraud is still increasing. I am not sure that I see the sequitur between A and B in your question. It is right that we have a comprehensive approach to bring together different Departments—the Treasury for the financial services sector, us for law enforcement, and others—and, crucially, to make a partnership between the public sector and the private. I think we will need to do more and more of that over time, because the levels of fraud are as they are, as you described.

**Q516 Alison Thewliss:** In one of your earlier answers, you mentioned that technology was changing the whole time. What confidence do you have that you can legislate fast enough to deal with that?

**Damian Hinds:** I agree that that is a real challenge. We have to work very hard at it to make sure we can. In particular, we want to make legislation as technology-neutral as possible. That is a very live discussion with the Online Safety Bill, for example. There will always be a tendency—you will probably see people table such amendments during the passage of the Bill, for example—to deal with the things that occur right now. What we really want to do is to get at the principle that underlies that particular manifestation, that particular execution.

**Q517 Alison Thewliss:** I would like to move on to some of the stuff in the HMT supervision report published recently. I note that *Private Eye* has picked up that the FCA halved its number of supervisory visits from 64 to 30, and it has taken less formal action and instead sent advisory letters. In 2018-19, it found that no firm it visited was completely compliant, but in 1920, 50% of those it visited were. Is that not indicative of a lax approach being taken and more latitude being given to the firms visited?

**John Glen:** That would not be my interpretation. What I would say is that the FCA has always had a risk-based approach, which is necessary when it has to regulate over 60,000 firms; it uses an intelligence and data-driven approach. Remember that 14 banks capture 78% of retail and 79% of wholesale deposits; the FCA will act appropriately in the light of that. Of course, I am not saying that those are all the risks; they are not. That is why the transformation programme is key to refining the approach. Only a proportion of the population receive active supervision, and that is the way it operates. I totally understand that *Private Eye*, or some such publication—

**Alison Thewliss:** It is there in your report.

**John Glen:** Absolutely. I understand why *Private Eye* can present that in one way, but in the past year the FCA has conducted 147 desk-based reviews and 30 on-site visits. We had the first criminal prosecution just



## HOUSE OF COMMONS

last month, with NatWest bank pleading guilty; the fine is outstanding and clearly it will be significant. Just two years ago, Standard Chartered bank was fined £102 million. Will the FCA capture every single transgression? Probably not. But it is in the business of honing its approach to get the right sort of intervention, with in-person visits being targeted at those that are obviously higher risk. That is the best I can do in answering that question.

**Q518 Alison Thewliss:** Can I ask a little further? There is a bit that I don't quite understand in the report, and perhaps you will explain it to me.

**John Glen:** I hope I do.

**Alison Thewliss:** That will be nice. Accountancy sector bodies are listed. Members of a good number of them have been fined—some of them quite significant amounts—but a much smaller number are actually cancelling the membership of those members. Why is that?

**John Glen:** I think you are talking about the recent report of OPBAS as the co-ordinating supervisor of the 25 PSBs. Basically, there you have all the industries that are exposed to money laundering risk, ranging from estate agents to solicitors' bodies and so on. I think Duncan Hames from Transparency International drew attention in his evidence to the accountancy challenges in that supervisory cohort.

The first two OPBAS reports were very positive; this last one does look at some challenges there. I have met OPBAS and representatives of the 25 entities over my time in office, and we will be looking very carefully at what we can do to make improvements. What we are talking about is creating learnings from different supervisors that can be applied across the piece. The observation about, in essence, giving up a membership of one supervisor to move to another is obviously something that I will need to look at very carefully, as will OPBAS. That is not really what should be happening. We want the supervisors to be robust and for people not to be shopping around.

**Q519 Alison Thewliss:** I am not sure whether it shows evidence of that particularly; it is just that in some organisations there are four times as many fines as there are members actually cancelled. I am just curious as to why that is. If your members are being fined and they are a reputational risk, why would you keep them on board?

**John Glen:** There are clearly a range of risks and behaviours across those different supervised bodies. I have not studied that particular example.

**Alison Thewliss:** It is in your report.

**John Glen:** I cannot give you a specific answer to that. I undertake to go away, look at it and write to you, if that would be helpful, rather than busk off the cuff now.

**Q520 Alison Thewliss:** It would certainly be helpful. Thank you very much. I want to ask a little bit about HMRC supervision, which is another part of it. In '19-'20, there were 32,827 organisations or people supervised by





## HOUSE OF COMMONS

HMRC directly. They are supervised by only 266 full-time equivalent employees. Is that enough?

**John Glen:** It is very difficult to draw a direct conclusion between those two numbers, because it is about how they are used. The numbers of people have gone up, but I do not have those specific numbers here—perhaps Giles does.

**Giles Thompson:** Yes. The Minister approved an increase in fees for HMRC-supervised firms, which enabled us to increase the numbers from 205 in '18-'19 to over 300 in '21-'22. The current figure you quoted is probably a bit less—

Q521 **Alison Thewliss:** That was the '19-'20, which is the most recent one I had.

**John Glen:** But, the same principle applies to the answer I gave with respect to the FCA taking a risk-based approach to those 37,000 firms. I think that that needs constant revision, and the AML supervision risks change. It is absolutely right that that is challenged but, as Giles has set out, I knew that we had given some more, but that is obviously quite a significant number more there.

Q522 **Alison Thewliss:** Can I ask why Companies House is not being made an AML supervisor?

**John Glen:** Companies House is undergoing the reform that we mentioned, with the additional resources to do that. In terms of its classification, it is a host of a registration of entities, which is different from being a supervisor for anti-money laundering. What we want to do is to make sure that, in the process of setting up a company, there are better checks and that the transparency around who are the directors and so on is in a better place. That is why we urgently put the extra money in during the spending review last month.

Q523 **Alison Thewliss:** Better checks would be good—some checks would be good—because at the moment, Companies House is full of duff information. If you were able to stop people at the point of registration, would that not be a better way of tackling money laundering?

**John Glen:** I absolutely recognise that the Companies House reform is a priority. As I said, BEIS brought forward their response in terms of what needed to be done in September last year. We have given the resources in the spending review from the Treasury and it is urgent that the legislative changes happen alongside the robo intervention that I also mentioned.

Q524 **Alison Thewliss:** To turn to SLPs, I do not recognise the £9.1 million figure that you quoted. I asked a BEIS Minister in a written question and they said that only one company had been fined. I cannot imagine that that in itself was £9.1 million, so is that to do with HMRC fines?

**John Glen:** The £9.1 million penalties were to do with HMRC overall. In terms of the breakdown of SLPs, I do not have that specific figure. I can



## HOUSE OF COMMONS

probably try to find it—well, I will certainly try to find it, but whether it exists—

**Alison Thewliss:** If you can find it and save me a pursuant question, that would be nice.

**John Glen:** *[Interruption.]* It is amazing. Giles has always been a brilliant official and he is proving it today.

**Giles Thompson:** The HMRC figure is the total of fines against all their regulated populations—accountants and so on.

Q525 **Alison Thewliss:** It is not persons of significant control though, is it?

**Giles Thompson:** The only figure I can provide there is that I know that over the last three years, there have been a total of 381 criminal convictions in relation to filings on the PSC register, but we would have to provide more information about whether they related to SLPs or normal companies.

Q526 **Alison Thewliss:** It would be useful to have that information. You mentioned that the numbers have gone down for SLPs, which is true—

**John Glen:** But I think the intervention in 2017 and the expansion of persons of significant control to Scottish limited partnerships had a massive effect on demand.

Q527 **Alison Thewliss:** Yes, I know. That is not what I was going to ask. What analysis have you done if the impact of the increases in Northern Irish limited partnerships, English limited partnerships and Irish limited partnerships? Have you had any conversations with your colleagues in Ireland about that?

**John Glen:** No, I haven't, nor have I done that analysis in the way that you ask.

Q528 **Alison Thewliss:** My understanding from a journalist at *The Irish Times*, Colm Keena, is that an Uzbek conglomerate-owned Irish LP has shareholders that are six Scottish limited partnerships, and you cannot trace who the controlling partners are in that. What analysis has your Department done where companies are going now? My fear is that, with the delays in the registers of overseas entities and what has been done in SLPs, people are moving to trusts and other things. What analysis has been done in the Department of the consequences of those actions?

**John Glen:** Alison, if I may, I will ask Giles to come in here. He is the Treasury's representative on the Financial Action Task Force and works with me closely in that area, and I think he is well equipped to answer—I hope.

**Giles Thompson:** Certainly on the analysis of where criminals might be moving to, the National Crime Agency has done a number of projects looking at risks around abuse of corporate structures. It looked into where criminals are moving to and where the highest-risk areas are, which informed the work the Ministers referred to that we are doing with BEIS to



## HOUSE OF COMMONS

reform Companies House. Limited partnership reform is one of the areas that we hope to be able to progress through that legislation, as soon as time allows to get that into Parliament.

**Q529 Alison Thewliss:** Is there a risk in taking so long that it gives people who want to move their money the time to do so?

**John Glen:** It is an urgent priority. We need to bring this legislation forward.

**Q530 Alison Thewliss:** I sat on the Joint Committee on the Registration of Overseas Entities Bill. It is not that urgent, I think.

**John Glen:** I know you have taken a close interest in this throughout my time, and I recognise that it is something we need to do urgently. I fully accept that.

**Giles Thompson:** Briefly, on trusts, that is an area where HMRC has built a trust beneficial ownership register over the last few years, so where criminals are trying to use trusts, beneficial ownership is now captured. It is available to HMRC and law enforcement, so that is certainly an area where we are moving forward.

**Q531 Alison Thewliss:** Thank you very much. Duncan, you were about to start, I think, on suspicious activity reports, but you didn't get to keep going, and I would quite like to know what that answer was.

**Duncan Tessier:** I think the exam question was, "What are you doing on SARs?" I am leading the SARs reform programme within the civil service, working very closely with the private sector, the banking industry and also the National Crime Agency. Essentially, I think the problems of the SARs regime are well known. It certainly needs reform, and that was something that came out quite clearly in the 2018 FATF review. We are doing three things. First, we are replacing the IT, which is over 20 years old and in real need of a comprehensive upgrade, so we are taking that forward. Secondly, we are reviewing the legislation and regulations that sit around the SARs regime, particularly targeting the issues of over-reporting in some sectors and under-reporting in others.

Thirdly, we are looking to increase the staffing in both law enforcement and within the UK Financial Intelligence Unit, which we are making some really good progress on. As the Minister said earlier, we have recruited 20 additional staff into the regional organised crime units in the last six months. Their role is simply to take SARs and analyse them, and to use those to create leads. We have already seen that have some quite interesting, big operational effects, which is great. We are also increasing the numbers in the UKFIU. One of the key critiques of the 2018 FATF review was about an under-resourced UKFIU, so we are going to put an extra 75 staff in there, which is a near doubling. We have put 40 in so far and there are another 35, which is on track. That is also starting to show an impact; we are seeing better engagement with the private sector on the back of that.



## HOUSE OF COMMONS

That is the overall reform programme. There is still further to go, but it is making reasonable progress.

**Q532 Alison Thewliss:** Can you tell me more about what you are doing on the over-reporting and under-reporting issue particularly, because that is quite interesting?

**Duncan Tessier:** The over-reporting issue is particularly connected with the financial sector—colleagues will be well aware of this. We have done some very detailed work with the banking sector to review samples of SARs, to try to work out what exactly are the ones that would not be useful to law enforcement. We have already made one change on the back of that, in the Financial Services Act earlier this year, which will remove, we think, around 10,000 defence against money laundering SARs that are of low utility. That change has already gone through, and we have been working with private sector partners on further legislative proposals which we think will also remove a large number of low-utility SARs, so there is quite a lot of work there.

On the other side of the coin, which is the under-reporting, I think part of the issue with the sectors that sometimes are viewed as under-reporting is the lack of feedback and engagement from the UK Financial Intelligence Unit. They say, "We put SARs in, we get nothing back. We don't know what's right or what's wrong." The extra staff that we are putting into the UKFIU are critical to do the outreach and engagement. When the UKFIU had fewer staff, there was less feedback, but there is a lot more feedback going on now, and that is helping those sectors to understand what good looks like, and there is a bit of guidance and steering. So that is one thing we are doing, but the other items that the EST mentioned earlier about OPBAS and supervisory reform are the other side of the coin in terms of dealing with under-reporting.

**Q533 Alison Thewliss:** Finally, I have a question for Damian. You talked about £37 billion being lost to fraud. Is the amount you are spending to tackle that fraud enough?

**Damian Hinds:** I believe I mentioned £37 billion as the cost to the UK economy of serious and organised crime rather than fraud. What was the second part of your question?

**Alison Thewliss:** Given the scale of the fraud, are you spending enough money?

**Damian Hinds:** Of course, any spending Department would like to have more money from the Treasury, but we do have more money. More money has come in the spending review that's just finished, which, as I think John outlined earlier, goes on top of money that came in in the one-year spending review 2020, which has been continued. There is the £60 million that goes to BEIS for Companies House reform, for example. But let's not understate the significance of the economic crime levy, which we have just had the consultation on and which John and his colleagues are about to legislate for in the Finance Bill. That is a gamechanger in terms of a



## HOUSE OF COMMONS

sustainable line of resourcing for this area, particularly on money laundering and economic crime.

Q534 **Alison Thewliss:** I am sure most people would rather you took more money off criminals than take it off people who are trying to do the right thing.

**Damian Hinds:** Well, we also want to take more money in terms of the proceeds of crime, and we do—from memory, £170-ish million in the last year. Alison, as in your previous line of questioning, you are absolutely right. Is that enough? No, damn right it's not enough. I want all the proceeds of crime to come back to Her Majesty's Treasury so that we can use it for the good of our society and our country. We need to keep working at these things.

**John Glen:** To be fair, on the levy, we consulted carefully to try to make the contributions as fair as possible. There will be some criticisms over where the thresholds lie, but we think that nobody will be at more than 0.1% of their revenues. That £100 million will be very useful, as Damian has said.

**Damian Hinds:** I gave you a wrong figure just now—£172 million is the amount denied to criminals through SARs activity. The correct number for proceeds of crime recovered in the last financial year is £219 million.

**Chair:** Thank you. I said Alison was last, but she's not, because Anthony has come back from Committee and would like to come in with a final question or two.

Q535 **Anthony Browne:** Sorry about that. I had to leave briefly for DL activity. You might have touched on this earlier, but I want to follow up on Rushanara's questions on, as Damian put it, aligning incentives, which is absolutely right, between online and social media companies and banks against fraud. From a financial point of view, there are two main ways to do that, unless there are others you can suggest: either require them to pay compensation to victims of fraud, or fine them. Do you have any views on the pros and cons of either of those?

**Damian Hinds:** There are probably other ways to make sure that people are aligned. The Online Safety Bill, as you know, is a huge landmark piece of legislation. We use that phrase sometimes quite liberally, but this really is. It is world-leading legislation that does an awful lot in terms of new responsibilities on online platforms. But we should not think only in terms of what we legislate for and what we force people to do. We should also think about the responsibility that all players in the economy have and the reputations that they have with their consumers, as well as the power that consumers have to put pressure on the services they use. It should not take legislation for companies to do the right thing.

Q536 **Anthony Browne:** An answer that does not quite answer the question. An observation: the impact of fines on the banking industry obviously changes behaviour, but not necessarily always in exactly the way that you want, because companies want to avoid fines but it depends on what



## HOUSE OF COMMONS

the level of enforcement is. If fines are not enforced, they clearly provide no incentive. If the penalties are not aligned directly with reducing the amount of fraud but are there for a legal reason, and we have to define it in some other way, that could produce tick-box activity that isn't quite aligned. And fines do not necessarily compensate victims of fraud, and not all victims of fraud—as you were saying earlier—get compensated by banks, so actually quite a lot of victims of online advertising fraud currently don't get compensation, because the banks are not required to compensate them and won't be even if you legislate. Do you have any views about the effectiveness of fines when it comes to changing incentives for online social media companies? I will ask John to comment, unless you are going to change your answer, but you avoided the answer.

**John Glen:** I think we agree that there is a changing landscape of risk and new actors who take you as being responsible for those outcomes. In the legislative intervention we make through this landmark piece of legislation, we have to make sure that the heart of the problem. The advertising world, as Damian set out, has changed significantly and is changing, and this legislation and the work that the DCMS is doing on an advertising programme need together to bite the problem, which I think we all recognise is pressing and increasing. You have set out a rationale for doing that differently. I am clear that the financial services and the banking sector are not the only important players any more, and I think that we in Government have to fully recognise that in the way that we legislate.

**Anthony Browne:** Thank you. I tried.

**Chair:** Thank you, Anthony. That brings us to the end. So, I thank all four of you very much indeed, particularly John and Damian, but equally our officials, who were spring-loaded with those numbers that our Ministers were scratching around for. So thank you all very much indeed.

Economic crime is clearly one of the great challenges of our age and I have to say that although I found myself feeling frustrated, as both our Ministers do, with the progress on meeting the challenge, I also felt rather sympathetic, in the sense that it is an enormous mountain to try and climb to get on top of this issue. There is the sheer complexity, with the many forms: the romance crimes; the investment scams; the push payment scams; and so on. It comes in all different guises and is very sophisticated in many cases. It is also often a distance crime—as I think you pointed out, Damian—sometimes in other jurisdictions, let alone happening in this one. And it is quite entrepreneurial, it seems to me, changing very fast and with some very skilful people involved.

I guess that it's not surprising that we have ended up with a whole bunch of different Departments of Government and bodies and agencies and groupings that are getting together, and trying to work together to try to solve these problems. There is lots of activity and there are some very good things that you have been able to share with us, among the criticism that you have received from this Committee today.

However, I do just wonder—it is a lingering question in my mind—whether



## HOUSE OF COMMONS

there is more scope now for greater co-ordination between different parts of Government on this issue, not least because the different strands overlap—as I think you, Damian, pointed out—between cyber and economic crime, and online crime, and so on.

Also, in turn perhaps we should have somebody who holds the ring and is able to communicate that sense of urgency that both of you have expressed today and the general direction that the Government are taking in addressing this issue.

The only other observation that I will make is that there is the constant suggestion of legislative proposals and other things that you want to bring forward, which of course can be a very slow process. So, perhaps there will be some thought, including on this Committee, about how best to address that, to get through the consultation phases and get the legislation on the statute book, so that it can start to bear down on this huge problem that we all want to get on top of.

With those comments, I conclude this session.