



HM Revenue
& Customs

**Richard Las CBE, Head of Operations
Fraud Investigation Service
Customer Compliance Group**

**Joanne Cheetham
Head of Customs Compliance, Audit
and Law Division**

By email

Mark Garnier MP
Chair of the Committees on Arms Export
Controls
House of Commons
London
SW1A 0AA

Date 16 May 2022

Dear Mr Garnier,

Thank you for your letter dated 4 May 2022 about the compound settlement for c.£2.7million listed for February 2022.

When dealing with export control offences HMRC has a number of options available in terms of enforcement. These are determined by the nature and seriousness of the offence and range from a written warning, through to offering a compound settlement or referring the matter to the Crown Prosecution Service (CPS) with a view to instituting criminal proceedings. These options are assessed on a case-by-case basis.

Where appropriate, HMRC may offer a Compound Settlement. The powers to issue a Compound Settlement are contained in Section 152 of the Customs and Excise Management Act 1979 and allow HMRC to enter into an agreement to settle offences out of court as an alternative to initiating legal proceedings. As part of the compound settlement, HMRC agrees not to disclose the name of the company. This saves time and money for taxpayers by avoiding

the need for legal proceedings, where these would be disproportionate. HMRC would not typically offer a Compound Settlement where there is clear evidence of deliberate intent to circumvent export controls. Such cases would be referred to the CPS for their consideration. In the case of a successful prosecution, the identity of an exporter would be published by HMRC, unless a court ordered otherwise. In relation to your specific questions:

1. The name of the exporter.

Other than in very limited circumstances, it is HMRC policy not to publish the names of individuals or companies accepting Compound Settlements. This policy is made clear to companies who are offered a compound settlement. In this instance HMRC do not consider that disclosing the company name would drive compliance, promote voluntary disclosure or be proportionate. Therefore, we do not believe that disclosure is in the Public interest in this case.

2. The items exported and their destination(s).

It is HMRC policy not to publish the details of items exported or the destination of companies accepting Compound Settlements. Disclosure of this information has the potential to identify the exporter.

3. Whether the settlement was in respect of more than one breach of the Export Control Order 2008. If so, please include information of the number of unlicensed exports and the timescale over which they were made.

The breach consisted of one consignment split over two exports.

4. Were any of the unlicensed items exported with items for which licences had been granted?

Yes.

5. Whether any of the unlicensed items were intercepted before reaching their destination(s).

No.

6. Whether any licence applications had been made previously for any of the unlicensed items and the outcome of those applications.

HMRC can confirm that a licence application has been made in the past for some of the unlicensed items. On that occasion, a licence was granted by the Department for International Trade for those items.

7. Whether the case was referred to the CPS and if so, did the CPS refer it back to HMRC for consideration of compound penalty settlement.

The case was not referred to the CPS. In the event that a compound settlement offer is not accepted by the company, HMRC can refer cases to the CPS for consideration for prosecution.

8. An estimate of the length and cost of the HMRC investigation;

Investigative work took place over a period of approximately 4 months. We do not hold records which would estimate the cost.

9. Whether there has ever been a settlement of a similar sum?

The settlement is the largest settlement received to date.

We trust the above addresses the points raised.

Your sincerely,

**RICHARD LAS CBE,
Head of Operations
Fraud Investigation Service**

**JOANNE CHEETHAM,
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Committees on Arms Export Controls

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Richard Las CBE,
Head of Operations
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Joanne Cheetham
Head of Customs Compliance
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By email

4 May 2022

Dear Richard and Joanne,

Thank you for the helpful evidence you provided to the Committee in November. As you are aware the Committees on Arms Export Controls' current inquiry has focused on the enforcement of export controls and the application of the various options available for this. As part of this interest, we have noted the list of compound settlement offers issued by HMRC between December 2021 and February 2022 to eight exporters published on 4 April 2022 (reference: Notice to Exporters 2022/12). One settlement listed for February 2022 is for circa £2.7 million paid in relation to the unlicensed exports of military goods controlled by the Export Control Order 2008. We regard this as a very high settlement and would be grateful if you could supply the following details:

1. The name of the exporter;
2. The items exported and their destination(s);
3. Whether the settlement was in respect of more than one breach of the Export Control Order 2008. If so, please include information of the number of unlicensed exports and the timescale over which they were made;
4. Were any of the unlicensed items exported with items for which licences had been granted?;
5. Whether any of the unlicensed items were intercepted before reaching their destination(s);
6. Whether any licence applications had been made previously for any of the unlicensed items and the outcome of those applications;
7. Whether the case was referred to the CPS and if so, did the CPS refer it back to HMRC for consideration of compound penalty settlement;
8. An estimate of the length and cost of the HMRC investigation; and
9. Whether there has ever been a settlement of a similar sum?

I look forward to your response which we would be grateful to receive by Monday 16 May.

I am copying this letter to the Department for International Trade for information.

Yours sincerely,

Mark Garnier MP
Chair