



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Alicia Kearns MP
Chair of the Foreign Affairs Committee
House of Commons
London
SW1A 0AA

18 April 2023

Dear Alicia,

Thank you for your letter of 9 February to the Chancellor about financial sanctions. I am responding as the minister responsible for this policy area and would like to apologise for the delayed response.

HM Treasury has considered its approach to both specific and general licences to see if any changes were required to the Office of Financial Sanctions Implementation's (OFSI) licensing practice in relation to legal fees licence applications. The Government is committed to further targeted changes to the process for issuing legal fees licences that safeguard the sanctions regime against the risk of manipulation and reaffirm Ministerial accountability for OFSI decision-making.

Our approach to date reflects the fact that the right to legal representation is a fundamental one and it is therefore important that Designated Persons are still able to access legal representation. However, in this context, it is the Government's view that in most cases, the use of frozen funds for payment of legal professional fees for defamation cases is not an appropriate use of funds, and in many cases will be against the public interest. Whilst still reviewing each individual application on a case-by-case basis (for both appropriateness and compliance with the right to a fair hearing), OFSI will, in future, take a presumption that legal fees relating to defamation and similar cases will be rejected.

General Licence INT/2022/2252300

General Licence INT/2022/2252300 permitted persons designated under the Russia and Belarus regimes to make payments for legal expenses up to a capped amount. Anything in excess of this required a specific licence to be issued. Appreciating that the right to legal advice is a fundamental one, the licence did not place restrictions on the type of advice that could be paid for. I have reviewed the terms of this licence and it will be amended so that it no longer authorises legal fees for defamation and similar cases. Any person or entity that acts without a specific licence where the activity is not covered by the General Licence, will be in breach of financial sanctions and liable for a monetary penalty or, if egregious enough, criminal prosecution.

Yevgeny Prigozhin

The case brought against Mr Higgins by Mr Prigozhin could be categorised as a Strategic Lawsuit Against Public Participation (SLAPP). SLAPPs represent an abuse of the UK legal system to silence investigations in the public interest and the Government remains committed to tackling these cases. Targeted anti-SLAPP reforms will include a statutory definition of SLAPPs, an early dismissal process and costs protection for SLAPPs cases. The Government has committed to primary legislation to make these reforms a reality when parliamentary time allows. These changes will help to uphold our fundamental liberties of free speech and a free press, end the abuse of our courts, and defend to the hilt those who bravely speak out in the public interest.

The review referred to by the Exchequer Secretary considered HM Treasury's approach to the licensing of legal fees and the delegation of decisions to senior civil servants. This is now complete and I provided information about this to Parliament in a Written Ministerial Statement on 30 March 2023.

The principles and guidance for assessing these applications are long-standing and have been published for a number of years. There is a delegation framework in place whereby decisions on legal fees for persons designated under all the sanctions regimes are routinely taken by senior civil servants. This has been reviewed and changes have been

made as necessary. I have also placed a copy of the delegation framework in the Libraries of the House of Commons and House of Lords.

In answer to your last question, OFSI regularly engages with partners to ensure that appropriate decisions can be taken with regard to licensing applications. FCDO is prominent among these partners.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'PENN', with a long horizontal flourish extending to the right.

BARONESS PENN



Foreign Affairs Committee

From the Chair
Alicia Kearns MP

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Whitehall
LONDON SW1A 2AH

9th February 2023

Dear Chancellor,

I am writing on behalf of the Committee to seek clarification on how the Office for Financial Sanctions Implementation (OFSI) is operating and to seek assurances that measures are in place to ensure its activities are not undermining the effectiveness of the sanctions regimes.

General License INT/2022/2252300

It's our understanding that under General License INT/2022/2252300, individuals sanctioned under the Russia and Belarus sanctions regimes may access their funds to make payments for legal fees regardless of the nature of the legal service, up to the specified cost ceiling. We also understand that there is no need for the firms providing a legal service to a sanctioned individual to notify the Treasury in advance of undertaking this work.

Is it correct that sanctioned individuals associated with the Wagner Group (an entity designated under the Russia sanctions regime) would be able to access frozen assets to pay for legal fees (within cost limits) regardless of the legal services that they are accessing?

When explaining this approach to licensing, OFSI's website states that "considering the extraordinary number of new designations under the Russia and Belarus regimes, and the correlating increase in the number of those seeking a licence from OFSI for the payment of legal fees, OFSI has issued a general licence to permit the payment of legal fees owed by individuals and entities designated under either of these regimes." What consideration was given to how OFSI could ensure that a presumption of access to funds remains an appropriate and proportionate response?

Yevgeny Prigozhin

We have further questions in relation to Yevgeny Prigozhin. In response to an Urgent Question on 25 January, in which the Government was asked to explain how an individual licence was granted by OFSI to allow Mr Prigozhin to pursue a defamation case against Eliot Higgins of Bellingcat, Minister Cartledge confirmed that decisions to grant individual licenses were made by civil servants but that in light of this, and other cases, an internal review into this process was underway.

We raised concerns in our June 2022 report on dirty money, [The cost of complacency: illicit finance and the war in Ukraine](#), that SLAPPs defamation cases seriously undermine the effectiveness of the UK's fight against illicit money because they work to further conceal the actions and assets the Government is trying to sanction. We also noted that the Government had not demonstrated a joined up cross-departmental approach to sanctions, without which there is a gap between designation and implementation.

The Committee is concerned that Mr Prigozhin has been permitted access to funds which he has then used to actively undermine the sanctions against him. As you know, Mr Prigozhin is a warlord whose mercenary group stands accused of killings and torture in Ukraine, Syria and countries in Africa. There appears to be no trigger for ministerial oversight of decisions relating to such high-risk individuals.

In this context, we would be grateful for answers to the following questions:

- When will the internal review, to which Minister Cartledge referred, be completed?
- Will the internal review consider the grounds on which a licence application should be 'red-flagged' for ministerial attention?
- How will the results of the review be communicated to Parliament and publicised?
- How do you ensure that the latest security information is used to inform decisions over cases that should be 'red-flagged' for ministerial attention?
- What steps is the OFSI team expected to take to ensure that it has the relevant advice from the FCDO sanctions unit when making licensing decisions?

We would appreciate a response by 28 February. We intend to publish both our letter and your response.

Yours,



ALICIA KEARNS