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# UK PROPERTY: A SAFE HAVEN FOR DIRTY MONEY

Today's revelations show once again how UK real estate is a soft touch for the corrupt who want to clean and spend their dirty money. The UK government promised to crack down on this problem two years ago, but has failed to act despite widespread support for increased transparency. We need a public register of UK property owned by secretive overseas company now. Two years is too long.

## WHAT'S THE PROBLEM?

The ability to hide and spend corrupt funds overseas is a large part of what makes grand scale corruption not only possible but attractive. Through the financial system money earned from shady deals and crimes such as bribery, drug trafficking, and modern slavery can be laundered clean and enjoyed in places like the UK.

Global Witness investigations have revealed how London's high-end property market is one of the go-to destinations to those who want a luxury bolthole in a desirable location which will give their dirty money the veneer of respectability.

At least £122bn worth of property in England and Wales is owned by companies registered offshore, and – according to the NCA – 75% of properties whose owners are under investigation for corruption made use of this kind of secrecy.<sup>1</sup>

## HOW DOES IT WORK?

It goes like this: a public official steals money from the state budget, stashes it in an anonymous company registered in an offshore tax haven, and uses the anonymous company to buy luxury property in London. The public official and their family enjoys safe haven in a high-end bolthole while their fellow countrymen and women are denied the public services that should have been invested in.

In buying a luxury property or expensive development, the corrupt can invest huge amounts of dirty money in one go. Given the UK's strong rule of law and respect for property rights, the asset is secure. It also will likely increase in value. And if the asset is a mansion, it has the added bonus of giving the corrupt and their family a luxury home in which to enjoy their criminal proceeds safe from recrimination in their country of origin.

Anonymous companies – companies where the real owners remain hidden from public view – are critical to the corruption strategy. It is quick and easy to set up layer upon layer of these companies, making it almost impossible for law enforcement to track down the real human being behind the money.

It is currently completely legal for anonymous companies to buy UK property. This means that it is far too easy for the criminal and corrupt to launder money through luxury property, hiding the real owners behind anonymous companies, often registered in offshore havens that offer secrecy – such as Bermuda, Panama, or the British Virgin Islands.

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<sup>1</sup> [http://www.transparency.org.uk/case-for-ending-offshore-corporate-secrecy-the-uk-property-market/#.WfiW\\_Vt-qUI](http://www.transparency.org.uk/case-for-ending-offshore-corporate-secrecy-the-uk-property-market/#.WfiW_Vt-qUI)

## WHY DOES IT MATTER?

Dirty money is made from human suffering: whether earned through bribes, extortion, drug-trafficking, modern slavery, or organised crime, criminal finances impact ordinary citizens. And when dirty money can be cleaned via access to the financial system and funnelled into luxury property in London, the corruption that keeps people in poor countries poor and erodes global stability is further entrenched.

## WHAT NEEDS TO HAPPEN?

It's simple; anonymous companies must not be able to buy UK properties. But though the government agrees, it has yet to act.

## REGISTER OF OVERSEAS COMPANY OWNERSHIP OF UK PROPERTY DELAYED

In July 2015 David Cameron issued a warning to the corrupt, declaring 'London is not a place to stash your dodgy cash'. The government committed to bring transparency to the property market and promised to create a public register naming the real owners of all overseas companies that own UK properties. By stopping anonymous companies from being able to own property, this register would prevent the corrupt from being able to move, launder, and hide illicit funds through London's property market.<sup>2</sup>

But, despite making the commitment again in front of over 40 governments at the [International Anti-Corruption Summit](#) last year, and in the face of widespread domestic support for making the UK property market more transparent, the government seems to have lost its nerve.

Two years on and the register is nowhere to be seen.

## EXAMPLES OF CORRUPTION RISKS IN THE UK PROPERTY MARKET

In 2015 Global Witness revealed how **Maxim Bakiyev**, the son of former Kyrgyz President Kurmanbek Bakiyev, lives in a **£3.5 million mansion** in Surrey, despite being convicted in his homeland of the attempted murder of a UK citizen and corruption. The Belize-based anonymous company that is being used to hide the ownership of the Surrey mansion can be linked to an alleged money-laundering scheme used to get the funds out of Kyrgyzstan.<sup>3</sup>

Global Witness also revealed how big chunks of Baker Street are owned by a mysterious figure with close ties to a former Kazakh secret police chief accused of murder and money-laundering. In 2009, an unknown individual acquired a network of offshore-owned anonymous companies which in turn invested in **£147 million worth of prime property**. Documents seen by Global Witness reveal how the managers of these companies are linked to **Rakhat Aliyev**, a former Kazakh secret police chief found hanged in an Austrian prison in February 2015 while awaiting trial for the murder of two bankers in his home country.<sup>4</sup>

[www.globalwitness.org](http://www.globalwitness.org)

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<sup>2</sup> <https://www.gov.uk/government/news/pm-announces-new-global-commitments-to-expose-punish-and-drive-out-corruption>

<sup>3</sup> <https://www.globalwitness.org/en-gb/archive/former-kyrgyz-presidents-son-lives-35m-surrey-mansion-despite-convictions-attempted-murder/>

<sup>4</sup> [https://www.globalwitness.org/documents/18036/Mystery\\_on\\_baker\\_street\\_for\\_digital\\_use\\_FINAL.pdf](https://www.globalwitness.org/documents/18036/Mystery_on_baker_street_for_digital_use_FINAL.pdf)