

Home Affairs Select Committee concludes UK needs to do more to address money laundering and corruption

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The House of Commons Home Affairs Committee has published a [report](#) entitled 'Proceeds of Crime' in which it is highly critical of the efforts being made and systems in place in the UK to prevent money laundering and to recover the proceeds of crime. Chair to the Committee, Rt Hon Keith Vaz MP, was keen to stress on the UK Parliament Website that: *"At least a hundred billion pounds, equivalent to the GDP of Ukraine, is being laundered through the UK every year. The Proceeds of Crime legislation has failed to achieve its purpose. London is a centre for money laundering, and its standing as a global financial centre is dependent on proactively and effectively tackling money laundering"*. The report lists various statistics to demonstrate how ineffective current efforts are especially against criminals increasingly sophisticated at concealing the proceeds of crime.

The Committee, who consulted various stakeholders and experts in the course of its inquiry, highlighted the inadequacy of the key tool for detecting suspicious financial activity across the financial services sector and connected industries as an ongoing and serious issue. The report concluded that the 'ELMER' database (which captures Suspicious Activity Reports (SARs) on behalf of the National Crime Agency (NCA)) is overloaded, rendering it "completely ineffective". This is perhaps unsurprising if the NCA report to the Committee, that ELMER was currently processing 381,882 SARs, despite having been designed originally to cope with just 20,000, is correct.

However, the Committee concluded that more is needed than simply an upgrade of the SAR processing database highlighting the regret expressed by many of those providing evidence that the recovery of criminal assets was often only an afterthought after a conviction. The report also highlighted an inconsistent and seemingly unenthusiastic approach to the recovery of the proceeds of crime at both prosecutor and court level and confirmed its agreement with the National Audit Office that the Asset Recovery Incentivisation Scheme (ARIS) was flawed and unfit for purpose.

In addition, as Mr Vaz emphasised: *"Investment in London properties is a major route which tarnishes the image of the capital. Supervision of the property market is totally inadequate, and poor enforcement has laid out a welcome mat for launderers and organised criminals"* and yet, of the 1.2 million property transactions in the UK last year, only 355 suspicious activity reports were actually generated. According to Transparency International, who were themselves consulted in the preparation of the report, 36,342 properties in London are held by 'offshore' companies and that, while in many cases there may be nothing untoward in that, 75% of properties owned by people under criminal investigation for corruption are held through secret offshore companies.

The Committee called for much tougher oversight of the market, including stronger supervision of agents, buyers and sellers and for full responsibility for tackling money laundering, which is currently fragmented between different authorities, to be handed to the NCA. The Committee also proposed various other specific measures to be taken to address the issues it highlighted in general including:

- The freezing of assets simultaneously with criminals becoming aware of the investigation against them for the first time – often at the time of arrest.
- Initial and ongoing financial investigative training to be given to police officers.
- An overhaul of ARIS.
- The replacement of ELMER with a robust system for handling SARs by 31 December 2016.
- The creation of a specialist 'confiscation court' designed to hear complex cases featuring cross-border financial transactions, use of corporate vehicles or very high value proceeds to combat the current lack of interest and expertise in confiscation orders among prosecutors and judges.

The report comes just a couple of months after the Government published its new anti-money laundering Action Plan and the new Prime Minister, then Home Secretary, emphasised the importance of sending a clear message that such behaviour will not be tolerated and announced that the Home Office was reviewing its anti-money laundering rules. She also announced that it was considering a number of new policies, including "unexplained wealth orders (UWO), requiring those suspected of money laundering to declare their wealth", as well as tougher powers for the NCA. However, the report also comes at a time of distinct uncertainty following the Brexit referendum which, with a weakened pound and cuts to law enforcement budgets that have been reported to have increased the attractiveness of London to those who wish to

launder their money through property, should make the Government's response to the report of even greater significance.

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/home-affairs-committee/news-parliament-2015/proceeds-of-crime-report-published-16-17/>

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/home-affairs-committee/news-parliament-2015/proceeds-of-crime-report-published-16-17/>

<http://www.transparency.org.uk/publications/corruption-on-your-doorstep/>

<https://www.gov.uk/government/publications/action-plan-for-anti-money-laundering-and-counter-terrorist-finance>

<https://www.gov.uk/government/news/biggest-reforms-to-money-laundering-regime-in-over-a-decade>

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