

Closing loopholes in the Register of Overseas Entities: publishing information on the beneficiaries of trusts

The UK is a global epicentre for money laundering. Last year, Transparency International UK estimated that **£6.7 billion worth of UK property had been bought using suspicious wealth**. Of these, almost a quarter in value were “**bought by Russians accused of corruption or links to the Kremlin**”. Most of these are held via secretive offshore companies.

In response to Russia’s renewed invasion of Ukraine, the Government introduced new legislation to prevent the UK property market from being abused by kleptocrats seeking to launder their dirty money and evade sanctions. This legislation, now the **Economic Crime (Transparency and Enforcement) Act 2022**, requires foreign companies who own UK land to disclose and publish their owners on the **Register of Overseas Entities (ROE)**. This information is available for anyone to search via our corporate registrar, Companies House.

The ROE requires offshore companies that own UK properties to disclose their ultimate beneficial owners. This register is designed to help police, journalists, civil society and the public to identify property brought with suspicious funds – “a key part of the government’s strategy to tackle global economic crime”.

Recommendation: Lord Agnew intends to put forward an amendment which would remove the secrecy afforded by trusts, by requiring that trust information be published, with safeguarding protection for vulnerable individuals. This safeguarding involves extending the scope of the protection regime to vulnerable individuals whose trust information should be kept private.

Trusts: a loophole for hiding ownership of UK property

The ROE has already started to yield results and enabled journalists and others to uncover the real owners of properties in the UK, including prominent figures on the UK sanctions list like former Russian Deputy Prime Minister **Igor Shuvalov**. **However, the corrupt and other criminals can continue to withhold their ownership of UK assets from public view in this register by owning overseas companies through opaque trusts.**

This is because the current law prevents Companies House from publishing information about the beneficiaries to trusts registered as owners of overseas entities, keeping these property owners from public view. Only the name of the trustee is published on the ROE – which is usually a trust management company – therefore hiding the person who really owns or controls the property.

This presents several issues:

The anonymity provided by trusts is seriously undermining the aims of the Register: Analysis of the ROE data in February by **Transparency International UK** and the **BBC** showed that trusts are used to hide the ownership of thousands of overseas entities. This estimate is now over 7,000 – **about a quarter of overseas entities on the register** – hiding ownership of roughly 20,000 properties.

Secrecy prevents civil society & journalists supplementing the work of UK law enforcement: Though law enforcement has access to trust information, the past two decades have consistently shown that ensuring journalists and civil society have access to previously hidden information brings benefits to the global fight against corruption and money laundering. This complements the efforts of UK law enforcement agencies seeking to end the UK's role as a hub for illicit finance.

Trusts may be used for sanctions evasion: Trusts are notorious for their use in sanctions evasion. Last year, the **BBC** and the **Guardian** reported Alisher Usmanov allegedly used trusts to obscure the beneficiaries of his £170 million UK property portfolio – making it impossible for investigative journalists and civil society organisations to identify potential cases of sanctions evasion.

Unfairness: Ordinary people in Britain who buy houses or own their land directly are required to report their ownership to the Land Registry, with records available for anyone to access. Since 2016, properties owned by a UK company have also been traceable. There is no valid reason as to why those who can afford to set up expensive offshore trust structures get privacy, while other ordinary people can't.

Local issues: MPs may also receive emails from constituents about local disturbances or land that they think is being mismanaged. If trust information isn't public, they may come up against a faceless entity registered in a tax haven that doesn't reply to any correspondence.

Counterproposals: Why the Government isn't going far enough

The Government's position is that publication of information about the parties to trusts that own UK property through offshore companies is not necessary, as all the information can be accessed by law enforcement to fight economic crime. Yet, in an enforcement landscape where law-enforcement agencies are **underfunded**, civil society and investigative journalists play a **critical role uncovering illicit financial flows**. To do this investigative work, they too need access to information about who owns property in Britain.

Privacy concerns are the second principal objection. According to the Minister, "Most trusts are family affairs, and many are set up for minors or other vulnerable people." **Yet Companies House is already allowed to withhold information for individuals "at serious risk of violence or intimidation"** from the Public Register of Overseas Entities. This would just need a small change to add trust parties to the list of individuals who can be covered and protected where appropriate.

The Minister conceded that "it would seem appropriate to allow certain people, such as investigative journalists, to access the information under certain circumstances." As a result, the Government tabled an alternative amendment by which the Secretary of State *may*, through *regulations* and after *consultation*, enable certain actors to *request* trustee information from the trust register. However, in practice, this would only allow for access on a case-by-case basis. This would limit the ability of journalist and academics to scope and aggregate data for research purposes and create delays while the request is being processed. This would make it harder for journalists reacting to developing news in a timely fashion, and risks being both onerous for Companies House (and the taxpayer) as well as a drain on the capacity of those seeking to spot patterns and identify red flags in large-scale investigations.

This proposal **falls short of ensuring real access** to civil society and journalists working in the public interest. By kicking the can down the road to secondary legislation, the Government amendment **does not deliver, or even commit to deliver**, transparency over trusts.

The Government has also asserted that an amendment to introduce transparency over trusts in the ROE could open the door to a legal challenge, akin to the ruling at the Court of Justice of the European Union that resulted in a chilling effect on beneficial ownership transparency in the EU. However, as legal experts have noted in response to this claim, this argument is completely back-to-front. **If relegated to regulations, transparency will be open to challenge; it is only by enshrining public access in the Bill itself that we can be sure it will be upheld.**