

Westminster Against Dirty Money Charter

April 2023





Foreword

Britain's long established and stable social structures have made our country a place where people worldwide want to invest their money. Central London and Westminster in particular proudly attract many international investors in residential and commercial property - and has long been the engine for UK economic growth.

This is vital for the success of Britain's economy and for our standing in the world, bringing jobs and growth to the benefit of local residents and citizens up and down the country. But our reputation is at risk as increasingly a growing minority of these investors use Central London as a place for money laundering, fraud and economic crime.

We are seeing the consequences of this activity, as HMG have had to move rapidly to ensure that capital from properties held by Putin's allies cannot be released to fund his illegal invasion of Ukraine – and found how challenging this can be. This must be a catalytic moment, to ensure society moves faster against these practices of

hiding gains made through corruption or other criminal activity in property and other assets, rather than a discussion limited to one kleptocratic regime.

One could reasonably ask, what place does a local authority and business partnership have to be entering this debate – when these are global issues outside the reasonable jurisdiction of these bodies? There are so many ways that this impacts our area, and so it is only right that we do what we can to address these problems, including ensuring our conduct is exemplar.

Accepting, enabling or disregarding the flow of dirty money in the UK is not just immoral and unacceptable in a

modern, democratic economy but is directly harmful to our communities. It artificially drives up property prices and rental costs, as well as wasting valuable land, commercial property and housing as mere holding assets.. The same opaque structures used to hide dirty money also facilitate tax evasion, undermining the ability of responsible businesses to compete fairly and depriving our country of funding to support valuable public services. The unsustainable exposure of the UK to these practices has rightly come under the spotlight following the scrutiny of the numerous UK assets belonging to those propping up Putin's regime and his illegal war on Ukraine.

There is a housing shortage across Westminster, with thousands of families waiting for appropriate properties to become available, while corrupt individuals hold hundreds of properties worth millions of pounds across the city as investments to stretch their illicit gains even further. These are not just the mansions that make the

front pages, but typical flats that sit empty while they accumulate value or are used as short-term lets that aren't managed to avoid illegal waste dumping, ASB and other issues associated with these properties.

With a significant problem comes a significant opportunity, and by using our position as influential and economically critical groups in Westminster, we have the leverage to collectively make an impactful push to drive dirty money out of Westminster. There is no place in our city for those who commit, collude with or facilitate economic crime – and we want to see operators in Westminster who believe this too.

This means running, working with and supporting businesses who pay their taxes and fulfil their legal obligations. Transparency International UK identify that one of the key issues is that 'too many professionals just look the other way' – and this Charter stands as a commitment that we will not be counted among them.

Case study

Candy stores in the West End

In 2021-22 Westminster faced a growing problem of candy and poor-quality souvenir shops on Oxford Street and in the surrounding West End area, with over 30 in just over a mile of high-street.

It was our view that it is highly unlikely that there was enough economic interest in American candy to sustain so many stores in such a small geography, and with high city-centre business rates – and £8m of business rates arrears from these stores suggested we were correct. We regularly raided these stores and seized in excess of [£650,000] worth of counterfeit and illegal goods.

The occupier is almost always a shell company with no assets and a fabricated or patsy director, all listed on Companies House. As a result, when the Council tries to take action to recover the arrears, the company dissolves. As it has no assets, there is nothing to pursue for the business rates owed, and we cannot pursue options to stop them 'phoenixing' and popping up



as a new company as the director is either unrelated or doesn't exist.

One of the key things to manage these numbers down was not just regular disruption but working with our partners to ensure that these businesses were not able to lease property in Westminster, as our partners were willing to stand up for their principles and not be associated with rates evasion and other questionable business practices. We cannot solve the structural problem, although we have worked with HMG and others to try and address them, but we can work with our partners to push illicit operators away from our high streets and support enforcement agencies with as much support and information as we can offer.



Introduction

The Westminster Against Dirty Money Charter is a voluntary business, public and third sector partnership – the first of its kind – to make clear that Westminster is here for legal and conscious business. This charter puts a framework in place to facilitate the steps available locally to address the presence and impacts of illicit finance, and represents a clear commitment to support those who are working to address this issue.

Central London is the heart of the UK economy, enabling some of the most successful and diligent businesses to thrive here. The landscape and public realm of Westminster would not be as they are today without the continued investment and commitment to the area demonstrated by our businesses, and this charter is another demonstration of those committed to the success of Westminster standing together.

However, this success has also attracted the growth of a less-visible and insidious side of the economy, with those intent on money laundering, fraud and other forms economic crime seeking to make the most of the growth in property sales and high-value transactions that take place here every day. Regrettably, that has been facilitated by a small minority of firms, who cannot be allowed to operate in this way any longer.



How the Council will lead the way



Developing a list of properties where the ultimate beneficial owner is unclear or appears to be inconsistent with other records, mapping these across the City and sharing these with relevant enforcement bodies.



Continuing to disrupt businesses with a track record of selling unsafe goods, and other practices commonly associated with suspicious financial activity.



Continuing to invest in encouraging positive growth in Westminster, including innovating with business rates reliefs schemes such as our pop-up scheme.



Working with the Government and the Opposition to promote reform of the business rates system to ensure that our high streets across the city remain vibrant and competitive.

Addressing the local impacts of a global problem

The three pillars of the Charter:



Supporting Fair Taxation



Transparency and Accountability



Constructive Challenge

As Charter participants, organisations will work towards:

1. Supporting Fair Taxation

- ✓ **Using procurement, leases and partnerships as an opportunity to reward those who pay their fair share of tax** – including incorporating stipulations around this where appropriate. This includes recognising and promoting the fact that some Westminster businesses are already leading the way on this, and have been accredited to the 'gold standard' of fair tax practices.
- ✓ **Improving transparency** and working to end the use offshore havens (where there is no reasonable connection to the country) or evasion methods, by making profit with integrity, and creating legal obligations regarding tax compliance where there is a valid concern.



2. Transparency and Accountability

- ✓ Where possible, considering competition and commercial sensitivity, **raising the bar for transparency to set an example for other businesses**. For example: being upfront about all beneficial ownership structures, understanding as fully as possible who tenants and leaseholders are, and encouraging them to be as transparent as possible; developing a clearer record of subletting chains; and demonstrate integrity in fulfilling their obligations, recognising this as a commitment to investing in the success of the UK.



3. Constructive Challenge

- ✓ Respecting that academics and NGOs are seeking to better civil society by exposing corrupt practices, and supporting them with data to do so wherever possible.
- ✓ Recognising that practices which are detrimental to the area, from freeholders or leaseholders, has a long-term negative impact on business – and that accepting challenge and support from peers and partners to address these is in the collective interest of those in Westminster.



For further information:
westminster.gov.uk/fairer-westminster