

**Tuesday
21 February 2017**

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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES
(HANSARD)**

Tuesday 21 February 2017

House of Commons

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The House met at half-past Eleven o'clock

PRAYERS

[Mr SPEAKER *in the Chair*]

BUSINESS BEFORE QUESTIONS

NEW SOUTHGATE CEMETERY BILL [*LORDS*]
(*BY ORDER*)

Third Reading opposed and deferred until Tuesday 28 February (Standing Order No. 20).

Oral Answers to Questions

FOREIGN AND COMMONWEALTH OFFICE

The Secretary of State was asked—

US Administration: UK Foreign Policy

1. **Mr David Hanson** (Delyn) (Lab): When he next plans to meet the US Secretary of State. [908803]

10. **Thangam Debbonaire** (Bristol West) (Lab): What assessment he has made of the implications of the policies of the new US Administration for UK foreign policy. [908812]

12. **Bill Esterson** (Sefton Central) (Lab): What assessment he has made of the implications of the policies of the new US Administration for UK foreign policy. [908814]

The Secretary of State for Foreign and Commonwealth Affairs (Boris Johnson): I met Rex Tillerson in Bonn last Thursday and Friday. We had some very good conversations, and I am sure we will have many more meetings in the weeks and months ahead to entrench and deepen a relationship that has been part of the foundation of global peace and prosperity for the past 70 years.

Mr Hanson: Could the Foreign Secretary confirm that when he met the Secretary of State last week he said unequivocally that Her Majesty's Government think the ban on travel proposed by President Trump for Muslim countries is simply wrong?

Boris Johnson: The right hon. Gentleman will know very well that the Government did not support the travel measures that were introduced by the Executive order. They were not something we would commend to this House and it was not the kind of policy we would like to see enacted in this country, and we made that very clear to our friends in America. It was by engaging constructively with the White House and others that we were able to secure the important clarification that the

Executive order would make absolutely no difference to any British passport holder, irrespective of their country of birth.

Thangam Debbonaire: I am pleased to hear the Foreign Secretary's reports of the discussions he had with the Secretary of State, but will he tell us a bit more about how he plans to manage the important tripartite relationship between the UK, the EU and the US, post-Brexit?

Boris Johnson: The hon. Lady asks a good question. Obviously, on some things we will differ from our American friends—we have just had an example of that—but on some areas we will perhaps wish to stiffen the spines of our European friends. I can think of issues such as sanctions over Ukraine, on which some EU members are not in quite the same space as we are. As would be expected, the policy of the United Kingdom would be to stick up for UK interests and values and—if I can use a bit of jargon—to triangulate dynamically between the two.

Bill Esterson: On standing up for British interests, Mr Trump's track record suggests that any deals he agrees to are likely to be to our disadvantage. What will the Foreign Secretary do to ensure that British businesses benefit from any deals with the United States, not just American ones?

Boris Johnson: If I may say so, it is important to be clear-eyed about American power and success in negotiating trade agreements and to recognise that we will have to be on our mettle to get a good deal for this country. Nevertheless, I have absolutely no doubt that we will be able to do such a deal. It is a great shame that in 44 years of EU membership we have not been able to secure a free trade deal with the United States. That is now on the table.

Crispin Blunt (Reigate) (Con): In his discussions with the American Secretary of State, did the Foreign Secretary discuss the best opportunity for a state visit by President Trump? Did he put forward my suggestion that the 400th anniversary of the Pilgrim Fathers in 2020 would be a much better occasion for a state visit than one in the course of the next few months, which is likely to be a rallying point for every discontent in the United Kingdom?

Boris Johnson: I thank my hon. Friend for his interesting suggestion; I am afraid to say that it is not one I had time to make to our American counterparts. Let us see how the matter of the state visit evolves. The invitation has been issued and accepted, and I am sure it will be a great success.

Sir Simon Burns (Chelmsford) (Con): Next time he meets the Secretary of State, will my right hon. Friend tell him that if the current discussions between the US Department of Defence and the State Department lead to their recommending to President Trump that they put American ground troops in northern Syria to combat ISIS, the British Government will not be following them?

Boris Johnson: I have to tell my right hon. Friend that I am not aware of any such proposal. Nor do I think, having listened quite attentively to the language being

used by the White House and the State Department, that we are going to see the imminent contribution of ground troops in that theatre. Nevertheless, the advent of the Trump Administration does offer the possibility of new thinking on Syria and the hope of a new way forward.

Anna Soubry (Broxtowe) (Con): Last week, the hon. Member for Tooting (Dr Allin-Khan) and I went to Jordan as guests of Oxfam, and we met a number of Syrian refugees, notably Khalid who lives in the Zaatari refugee camp. He was due to start a new life in America literally within the next few weeks. It is difficult to put into words his sense of despair that all his hopes and dreams for a new life have been shattered by President Trump's decision to ban all refugees from going to America. When my right hon. Friend next gets the opportunity, will he please not hesitate to tell President Trump that this ban on refugees brings great shame on his country and that he should lift it immediately?

Boris Johnson: My right hon. Friend will know full well that we have already expressed our disagreement with the travel ban and the policy on refugees. I think she was in the House when I explained the Government's view on that policy. By contrast, this country can be extremely proud of the fact that it not only supports that particular camp in Jordan—indeed, we have recently agreed another £30 million to support that individual operation—but is the second biggest contributor to the humanitarian effort in the region, with £3.2 billion already pledged.

Alex Salmond (Gordon) (SNP): But has policy triangulation not meant that the British Foreign Secretary is trying to anticipate what American policy will be and then to mimic it? Interpreting what American policy will be or who will be implementing it must be very difficult just now, so will he at least wait to see what the policy is before, for example, changing policies such as the two-state solution in the middle east?

Boris Johnson: I am sure the right hon. Gentleman knows very well that the policy on the two-state solution in the middle east remains unchanged not only for Her Majesty's Government, but, so too, to the best of my knowledge, for the United States' Government, to judge by the recent press conference. For the guidance of the House, let me just say that it is my general impression that the policy of the United States is migrating ever more towards a position of congruence with our policy rather than the reverse.

Alex Salmond: Was it the Foreign Secretary's idea to offer a state visit to President Trump after seven days in office? Given that the Foreign Secretary once famously declared that he would not go to New York in case he was mistaken for Mr Trump, is there any chance that President Trump will not come to London on a state visit in case he is mistaken for the Foreign Secretary?

Boris Johnson: I am embarrassed to say that I was mistaken for Mr Trump in—I think—Newcastle, which rather took me aback. It also happened in New York, which was a very humbling experience for me. I cannot say who was the exact progenitor of the excellent idea to accord an invitation to the President to come on a

state visit, but the invitation has been issued. It is a wholly appropriate thing for the British Government to do, and it will be a great success.

Sir Julian Brazier (Canterbury) (Con): Does my right hon. Friend agree that when there is fresh fighting in Ukraine and when Russia continues to carry out large-scale exercises close to the borders of the Baltic state, some of them with nuclear capable equipment, there has never been a time in recent years when our relationship with America and keeping NATO together have been so important for Europe as a whole?

Boris Johnson: My hon. Friend is completely right, which is why it was so important that our Prime Minister, on her very successful recent visit to the White House, secured from Donald Trump the 100% commitment to our NATO alliance, which has been the guarantor of peace in our times.

Ms Tasmina Ahmed-Sheikh (Ochil and South Perthshire) (SNP): We know that Trump's Muslim ban adopts Daesh's narrative, which is that it is the west against Islam. In fact, the Home Secretary said that it would bolster terrorists at home and abroad. What discussions has the Foreign Secretary had with the Home Secretary and the Secretary of State for Defence about the increased threat to UK national security as a result of Trump's immoral and racist policies?

Boris Johnson: We remain constantly vigilant against the terror threat as a result of all international policies, but, as I have said before, the seven countries in question were previously singled out by the Obama Administration for particularly tough visa restrictions. The hon. Lady will be aware that this Government have already signalled their disapproval of the ban to which Opposition Members are rightly objecting.

Mr Philip Hollobone (Kettering) (Con): Did Mr Tillerson quantify the length of the queue of countries seeking to do a free trade deal with the United States, and outline where Britain's place was in that queue?

Boris Johnson: Rex Tillerson was absolutely clear that he regards the relationship with the United Kingdom as one of pivotal importance for his country. Indeed, NATO is of pivotal importance for the safety not just of European countries, but of the United States. He was also clear, of course, that the UK will be at the front of the queue for a new trade deal.

Emily Thornberry (Islington South and Finsbury) (Lab): President Trump boasts of running a finely tuned machine, but the truth is that American policy is under review when it comes to all the world's major crises—from Ukraine to Syria, and Afghanistan to North Korea. I hear from the Secretary of State that there is new thinking, but we have yet to see anything coherent coming out of America. The finely tuned machine has not so much stalled as not yet got going. The resulting vacuum is being filled by the Russians, with peace talks on Syria and Afghanistan taking place without US or UK involvement. Is the Secretary of State happy to keep waiting for President Trump's cue or is he capable

of thinking for himself? Will we see a British initiative in any of these countries; and, if so, where is he going to start and what is the plan?

Boris Johnson: The finely tuned machine that is the Labour party is a fine one to offer any kind of political advice to the American Administration. As the right hon. Lady knows very well, the UK has, in fact, been in the lead in trying to find a solution in Yemen, and in trying to maintain the commitment to AMISOM, the African Union Mission in Somalia. She should recognise, in all fairness, that the current area of diplomacy being considered by the United States in respect of Syria is a course that the UK has principally advocated—one in which the Russians and the Iranians are separated in their interests, and we move towards a political solution and a transition away from the barbarism of the Assad regime.

Emily Thornberry: I have to say that if that's a plan, I'm a monkey's uncle. The fact is that the Government have been frozen out of negotiations on some of the most pressing issues we face. Take Afghanistan, where there have been 450 British fatalities over 15 years. The American army general on the ground, John Nicholson, describes the fighting as having reached a stalemate that may take several thousand more troops to break. In the meantime, Russian-led peace negotiations are going on in the absence of America, the United Kingdom and, in fact, every other NATO member, so I ask the Secretary of State again: when will we start seeing some leadership from this Government?

Boris Johnson: If the right hon. Lady is referring to Russian-led peace talks in Afghanistan, I think she is in error. Perhaps she is talking about the Astana talks on Syria. It is strongly our view and the view of all Syria-supporting countries that those negotiations should resume as soon as possible in Geneva.

The right hon. Lady talks about the UK's contribution to Afghanistan, and I think that she and the whole House can be very proud of the sacrifice made by those 456 British troops who lost their lives over the past 15 years. Hundreds of thousands of women in Afghanistan are now being educated as a result of the sacrifice made by British troops and the investment in that country by the British people. There are people who are now getting food, water and sanitation, which they would not otherwise have received.

Cyprus

2. **Mrs Theresa Villiers** (Chipping Barnet) (Con): What steps he is taking to support the negotiations for a settlement to re-unite Cyprus. [908804]

The Minister for Europe and the Americas (Sir Alan Duncan): The Foreign Secretary and I took part in the Geneva conference on the Cyprus settlement on 12 January. We welcome the Cypriot leaders' commitment to resuming political level talks next month. We are keen to maintain momentum and stand ready to bring negotiations to a successful conclusion.

Mrs Villiers: Will my right hon. Friend agree that third-country guarantees should have no place in a new settlement for Cyprus, because Cypriots should be able to determine their own future without the threat of external military intervention?

Sir Alan Duncan: It is up to the two sides to decide what future security arrangements they want for a united Cyprus that will enable both communities to feel secure. As a guarantor power, the UK is playing a supportive role and is open to any arrangement that is acceptable to the two communities.

Jim Shannon (Strangford) (DUP): I thank the Minister for that reply. He will know that Northern Ireland has had a partnership Government who have moved forward, bringing communities together. What has been done to offer advice from Northern Ireland to bring forward a political process that works, especially in relation to gas and oil exploitation, which could benefit all of Cyprus?

Sir Alan Duncan: I think the example of Northern Ireland is an example to the whole world, and it has been of benefit in the likes of Nepal and Colombia. The issue of Cyprus is slightly different, but I hope that the lessons from Northern Ireland can be taken into account and that they can help inform the progress we would like to see in Cyprus.

Mr David Burrowes (Enfield, Southgate) (Con): Does the Minister agree with the view of the all-party parliamentary group, which visited Cyprus last week, that the best hope for a solution is the dedication and courage of both Cypriot leaders, freely negotiating, and a realisation in the communities that the status quo of a divided Cyprus is untenable? Does he agree that we need to ensure that Turkey gets that when it comes to security and guarantees?

Sir Alan Duncan: My hon. Friend is absolutely right, and I think we all applaud the good faith and dedication of the two leaders, who are working tirelessly towards a solution. There are other ingredients that are necessary, such as the co-operation of the two main countries next door, Greece and Turkey, and—this is very important—successful referendums in each community.

Mr Khalid Mahmood (Birmingham, Perry Barr) (Lab): The last time negotiations in Cyprus seemed close to a deal, the effort collapsed when hackers broke into the UN's computer systems and the documents were leaked to a pro-Russian Cypriot newspaper. The inflamed communal tensions that followed had a major role in scuppering the chance of a deal. What assurance can the Minister give that lessons have been learned from that experience and that proper safeguards are now in place to protect the negotiations from any undue influence from outside?

Sir Alan Duncan: We have a very close association with the UN special representative, Mr Espen Eide. I am confident that he will have thought of this possible intrusion into the successful negotiations, and I hope that those safeguards are properly in place.

Global Britain Campaign

3. **Marcus Fysh** (Yeovil) (Con): What steps his Department is taking to promote the Global Britain campaign. [908805]

13. **Mark Pawsey** (Rugby) (Con): What steps his Department is taking to promote the Global Britain campaign. [908815]

The Secretary of State for Foreign and Commonwealth Affairs (Boris Johnson): Global Britain is a programme to help to explain to the world, but also to the people of this country, what I think they do not often suspect, which is the full range of Britain's military, cultural, commercial and diplomatic influence in the world. It is important to do that now, particularly as we make our Brexit—or Bre-entry into the world, as we should perhaps call it—to help people to understand that a more global Britain will be a more prosperous Britain.

Marcus Fysh: Will my right hon. Friend tell us how the various initiatives on building a global Britain as we leave the EU will help the people of the Yeovil constituency and the south-west of England?

Boris Johnson: I am delighted to tell my hon. Friend that over the next 10 years we will, for instance, be spending £178 billion on defence—we are one of the few countries in NATO to contribute 2% of our GDP to defence. As a result, there will be more funds available, for instance, to support companies in Yeovil, such as the helicopter company Leonardo MW, which, as far as I know, builds Wildcat submarine-hunting helicopters, among other vital bits of kit.

Mark Pawsey: Does the Secretary of State agree that, in addition to defence spending, soft power—including the effective use of aid and increasing levels of trade and investment, which are helping businesses to find the most suitable partners—remains an essential part of the UK's approach to boosting security in some of the more dangerous parts of the world?

Boris Johnson: I quite agree. Perhaps I can just give Members one stunning fact, which should seldom be off their lips when selling UK universities, for instance, to the world: of the Kings, Queens, Presidents and Prime Ministers in the world today, one in seven was educated in this country, and London has more international students than any other city in the world.

Mr Speaker: I think the Foreign Secretary's brother probably told him that.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Could we have a note of honesty in terms of an assessment of the nasty little hard Brexit campaign? Will the Foreign Secretary, instead of insulting the former Prime Minister, Tony Blair, as he did last week, take seriously the danger to this country of a hard Brexit? The people of this country did not sign a blank cheque, and they want a real vote on how good the deal is with Europe as we leave it.

Boris Johnson: I do not think that anybody could seriously say that the former Prime Minister has been insulted by any remarks I made last week. What I was trying to get over was my strong feeling that the debate was had last year and everybody understands that we are going forward with a new approach for this country—a global approach. It will be a clean Brexit and, I think, a highly successful Brexit, as the Prime Minister has said.

Patrick Grady (Glasgow North) (SNP): Given that a famine has just been declared in South Sudan, will the Foreign Secretary confirm that a truly global Britain will respond to such crises rather than siphoning off the aid budget on diplomatic empowerment funds?

Boris Johnson: I am sure the hon. Gentleman is aware that the UK is one of the only countries in the world to contribute 0.7% of GNI to overseas development. We have a fantastic record not just in Sudan but across Africa. He is right to draw attention to the approaching famine in South Sudan. We have sent 400 troops to help deal with that emergency.

British-Iranian Citizens

4. **Oliver Dowden (Hertsmere) (Con):** What recent representations he has made to the Government of Iran on the imprisonment of dual British-Iranian citizens in that country. [908806]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Tobias Ellwood): We remain deeply concerned about the UK consular cases in Iran and continue to raise them with the Iranian Government at every opportunity, including when I visited Tehran last month and when the Foreign Secretary met his counterpart, Javad Zarif, in the margins of the Munich security conference.

Oliver Dowden: I thank my hon. Friend for his answer. He is familiar with the case of Mr Foroughi, a 77-year-old father and grandfather to constituents of mine who has been detained in Iran's notorious Evin prison for almost six years. Does my hon. Friend agree that at a time when Iran and the west's relationships are under increasing scrutiny, the exercise of clemency in this case, and others like it, would demonstrate Iran's commitment to constructive engagement with the international community?

Mr Ellwood: I wholeheartedly agree with my hon. Friend. I am grateful for the work that he has done in liaison with the family. I was able to meet Kamran Foroughi, the son, on 25 January. I spoke to Ambassador Baeidinejad about the case this morning and when I visited Tehran last month. I am pleased to see that Mr Foroughi is now going to receive the health test that he has been requesting, but my hon. Friend is absolutely right that there is a case for clemency there that I hope will be answered.

Steve McCabe (Birmingham, Selly Oak) (Lab): Is anyone in the British Government able to make direct contact with the Iranian revolutionary guard, because they are the people who are arresting and falsely imprisoning our nationals? Surely if we are speaking only to the puppets in Tehran, no one from Britain is going to be safe to visit that country.

Mr Ellwood: I think we should be careful in the language we use. The Iranians, like those in many countries, do not recognise dual nationality, and therefore we have to conduct these matters with diplomacy. Our avenue with the Iranians, which was not there a couple of years ago, is through the Iranian Foreign Ministry and our interlocutors there. We have had communications from our Prime Minister, the Foreign Secretary, as I said, and now me, with our embassy opening as well.

EU: Science and Technology

5. **Stephen Hammond (Wimbledon) (Con):** What discussions he has had with his EU counterparts on joint areas of working on science and technology. [908807]

The Minister for Europe and the Americas (Sir Alan Duncan): The Prime Minister made clear on 17 January the high priority this Government place on their science relationship with Europe. The Minister for Universities, Science, Research and Innovation, my hon. Friend the Member for Orpington (Joseph Johnson), is in regular contact on this issue with his European counterparts, including the European commissioner.

Stephen Hammond: Will my right hon. Friend confirm that there are no barriers to the UK joining future collaborative ventures, and that the UK intends to pursue those collaborative ventures with high-tech beacons around the world, including Hong Kong and Israel?

Sir Alan Duncan: The Government aim to secure the best possible outcome for UK science and research as we leave the European Union. The EU and the UK have publicly emphasised the importance of continuing to work together to produce high-quality research, so both at home and abroad we will remain at the forefront of science and research.

Peter Grant (Glenrothes) (SNP): In paragraph 10.14 of their White Paper, the Government tell us that they “would welcome agreement...with our European partners”

on science and technology issues, but they give no indication of how that agreement will be achieved—no timetable, no detail and absolutely no guarantees. Will the Minister tell us what discussions have taken place, rather than simply telling us that the Government have had discussions?

Sir Alan Duncan: The Department for Business, Energy and Industrial Strategy leads on science, but this will be an essential part of the negotiations we conduct with the European Union after we have triggered article 50.

17. [908820] **Jo Churchill (Bury St Edmunds) (Con):** May I ask the Minister to ensure that scientific co-operation in Europe is extended to the preservation of threatened species?

Sir Alan Duncan: I do not see why not, especially as my right hon. Friend the Foreign Secretary is living proof that the woolly mammoth can return from extinction.

Commonwealth

6. **Dr James Davies (Vale of Clwyd) (Con):** What steps his Department is taking to strengthen UK relations with other Commonwealth countries. [908808]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Tobias Ellwood): The Government are committed to strengthening our Commonwealth engagement, in continuing the theme of global Britain, and we look forward to hosting the Commonwealth Trade Ministers meeting in March and the Commonwealth Heads of Government meeting in 2018.

Dr Davies: Can the Minister tell me how he believes the inaugural Commonwealth Trade Ministers meeting, to which he referred, can be used as an opportunity to promote the Commonwealth as a trading network?

Mr Ellwood: We should not forget that the network of 52 states is very important to Great Britain. It has a combined population of 2.2 billion people, including 1 billion people under the age of 25. In the post-Brexit environment, we are looking for trade deals. When we travel across Africa, and indeed the Commonwealth in general, the first question that is asked is, “What are the opportunities for Britain, now that you are liberated from doing business through Brussels?” The ministerial meeting that is coming up is a great opportunity for us to embark on looking towards the trade deals that we need for the future.

Mr John Spellar (Warley) (Lab): Will the Minister join me in welcoming the cross-party majority in the vote on the EU-Canada trade deal? What priority is the Minister giving to completing that deal and ensuring that similar arrangements are made with our Commonwealth Canadian friends and cousins post-Brexit?

Mr Ellwood: The right hon. Gentleman makes an important point. We are contained until article 50 has gone through, but Canada is another example—along with the United States, of which the Foreign Secretary made mention—of where we can push forward trade deals to the benefit of the United Kingdom.

James Duddridge (Rochford and Southend East) (Con): I congratulate the Minister, who has responsibility for Africa, on visiting nine countries on the continent along with three other Ministers over the recess. May I encourage him not just to look at the existing Commonwealth and at bringing in old players such as Gambia, but to get Zimbabwe back and, off the back of Mozambique and Rwanda, perhaps to look at inviting the Ivory Coast?

Mr Ellwood: My hon. Friend, with his experience, is absolutely right. The Foreign Secretary has been to Gambia, Ghana and Liberia, and I was in Angola, the Democratic Republic of the Congo and Rwanda. Again, I stress the opportunities there. As we venture across Africa, there are huge opportunities for Great Britain to advance our trade deals post-Brexit.

Simon Danczuk (Rochdale) (Ind): Does the Minister agree that increased assistance to promote democracy in countries such as Bangladesh is a vital part of strengthening ties between the UK and members of the Commonwealth?

Mr Ellwood: The hon. Gentleman is absolutely right. These are countries with which we have a history and a relationship. We are trusted, and through organisations such as the Westminster Foundation for Democracy, the British Council and our embassies, consulates and high commissions we can certainly do that work. We hope to embark on such projects with Bangladesh and other countries across the Commonwealth.

Jake Berry (Rossendale and Darwen) (Con): With the Commonwealth encompassing 52 members and a third of the world's population, is it not vital that we set out our stall for Britain by saying that we want a free trade deal with Commonwealth countries, and that the Government put forward a plan for achieving that—not least in tomorrow's Westminster Hall debate on this subject, which I have secured?

Mr Ellwood: I am sure, after that advertisement, that Westminster Hall will be packed tomorrow. My hon. Friend is right: Commonwealth trade will surpass \$1 trillion by 2020, and trade across the Commonwealth is estimated to be actually 20% cheaper because of common legal systems and language and, indeed, trust. Those are exactly the areas to which we need to aspire, given our leadership role in the Commonwealth.

Chris Bryant (Rhondda) (Lab): But 90% of those who live in the Commonwealth live in countries where homosexuality is illegal. Tanzania has, only this week, announced that it intends to publish lists of people in the public domain who are meant to be homosexual. That is a massive danger to those individuals, and it poses further risks to others because Tanzania is trying to close down all the HIV/AIDS units and to blame homosexuality for HIV. Do we not need to enter all our negotiations with our Commonwealth colleagues with our eyes wide open and making it very clear that we will not put up with this kind of thing?

Mr Ellwood: The hon. Gentleman makes a very powerful point. I will be visiting Tanzania soon, and I will certainly take that message with me. It is important to understand that, in the trade advances we are making across Africa, we do not miss the opportunity to raise delicate matters such as this, so that 21st-century standards can be met.

Japan

7. **James Berry (Kingston and Surbiton) (Con):** What assessment he has made of the strength of UK relations with Japan. [908809]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alok Sharma): We maintain excellent relations with Japan. We have close defence co-operation, and the recent visit by RAF Typhoons was a very visible demonstration of that co-operation. Japanese businesses employ 140,000 people in the UK, which shows our strong economic ties.

James Berry: Does my hon. Friend agree that North Korea's recent ballistic missile test, in violation of UN Security Council resolutions, shows how important it is that we maintain strong military and security relationships with our friends in Japan and South Korea, as well as strong trade relationships?

Alok Sharma: The actions of North Korea are a direct violation of multiple Security Council resolutions and a threat to international peace and security, not least to our friends in Japan and South Korea. Last week, as the House will know, the North Korean ambassador was summoned to the Foreign and Commonwealth Office, where we made clear the UK's concerns. Japan is of course our closest security partner in Asia, but we also enjoy close co-operation with South Korea, and we stand shoulder to shoulder with our allies.

Mr Gregory Campbell (East Londonderry) (DUP): Does the Minister agree that the innovative technology sector is very important for trade between Japan and the United Kingdom, in which we in Northern Ireland excel? Will he ensure that the sector is promoted very heavily in Japanese-United Kingdom relationships for the benefit of the Japanese workforce, but particularly of those who are developing the sector here?

Alok Sharma: As I have said, we of course enjoy very close trade relations with Japan. When I was in Japan last year, I met Japanese companies. The hon. Gentleman will be aware that the biggest ever acquisition in the UK out of Asia was the acquisition of ARM Holdings by SoftBank for £24 billion.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): Will the Minister engage with his Japanese counterpart to get the latest assessment of Japan's attempts to resolve its dispute with Russia over the Kuril islands?

Alok Sharma: We of course maintain close links with Japan—and, in fact, with all our allies—on matters related to security, and we continue to have dialogues across a range of issues, including those that my hon. Friend has raised.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): Last week, the Scottish Government's external affairs Minister visited Japan to boost foreign investment, but the hard Tory Brexit is causing a cloud of uncertainty. Given the pending EU-Japan free trade agreement, will the isolationist hard Brexit agenda leave the UK trailing behind?

Alok Sharma: Along with ministerial colleagues, I talk regularly to Japanese businesses to hear their views. May I just say that, since the date of the referendum, a huge amount of investment from Japan into the UK has been confirmed? I have referred to the ARM Holdings deal, but, as the hon. Lady will know, Nissan has reaffirmed the super-plant in Sunderland. If that is not a vote of confidence in the UK, I do not know what is.

Israeli Settlements

8. **Martyn Day (Linlithgow and East Falkirk) (SNP):** Whether he made representations on Israeli settlements in the Palestinian territories during the recent visit of the Prime Minister of Israel to the UK. [908810]

The Secretary of State for Foreign and Commonwealth Affairs (Boris Johnson): Yes, indeed. I met Prime Minister Netanyahu and repeated the historic UK position, which is that we believe the settlements on the west bank are illegal and constitute a barrier to a peaceful settlement in the region.

Martyn Day: President Trump has caused great concern for peace in the middle east by dismissing a 20-year US commitment to a two-state solution. Will the Foreign Secretary confirm that the UK remains committed to a two-state solution and will redouble its efforts?

Boris Johnson: Yes, I certainly can—and, if I may say so, I think the hon. Gentleman misrepresents what the US President said.

21. [908824] **John Howell (Henley) (Con):** Were the representations on settlements set in the context of Hamas fully restoring its military strength to levels before 2014—an illustration that peace does not entirely depend on this one issue?

Boris Johnson: We are aware of the preparations being made by Hamas in Gaza and we remain very concerned about the situation. It underscores the reality that while Israel is of course at fault for the expansion of settlements in the west bank—we have made that absolutely clear—on the other hand nobody should underestimate the very real security threat facing Israel. We are firmly on the side of the Israelis as they face that threat.

Richard Burden (Birmingham, Northfield) (Lab): Is the Foreign Secretary aware that just two days ago dozens of stop-work orders, which are usually regarded as precursors to demolition orders, were distributed in the village of Khan al-Ahmar, including to a primary school that serves over 170 children from local Bedouin communities? He may or may not know that the school is being visited by a large number of hon. Members from this House, and that if demolitions take place there to make way for settlements the chances of a viable Palestinian state will disappear. Is he making representations on this matter, and what action will he take to ensure that Mr Netanyahu heeds those representations?

Boris Johnson: I, of course, deplore demolitions, although, as the hon. Gentleman will appreciate, there is a difference between settlements and demolitions taking place in the west bank and demolitions within green line Israel.

Sir Eric Pickles (Brentwood and Ongar) (Con): Does my right hon. Friend think that our opposition to settlements is somewhat diluted by treating all settlements equally? The Oslo accords and the late President Arafat recognised that there would be land swaps. Would it not be better, as the Prime Minister said, to concentrate on new settlements and leave the existing settlements for a final decision?

Boris Johnson: The Government's policy is unchanged. We regard settlements as illegal insofar as they are in occupied Palestinian territories. Members will be absolutely clear that sooner or later—I hope sooner rather than later—there will be a deal and an understanding that involves land swaps. As my right hon. Friend rightly says, we will have to show some sense when it comes to doing that deal.

20. [908823] **Margaret Ferrier** (Rutherglen and Hamilton West) (SNP): I am going to give the Foreign Secretary another opportunity to answer the question from the hon. Member for Birmingham, Northfield (Richard Burden). The Israeli civilian administration personnel and police arrived at Khan al-Ahmar and served 39 stop-work orders, including to a school. An entire community is about to be forcefully displaced. What representation has he made to his Israeli counterpart on this matter?

Boris Johnson: I refer the hon. Lady to the answer I gave a moment ago. My hon. Friend the Minister will be going to Israel very shortly. When we have got to the bottom of the exact complaint she is making, I am sure he will raise it.

Stephen Crabb (Preseli Pembrokeshire) (Con): Alongside concerns about the rearmament of Hamas and the rebuilding of its network of cross-border terror tunnels, does my right hon. Friend share the growing alarm at

the new activities of Daesh in the Sinai desert, which, together with the activities of Hamas, point to the prospect of further violence in the region and a new wave of terror attacks on innocent Israeli citizens?

Boris Johnson: My right hon. Friend is completely right. What he says underscores the need for a regional solution that brings together all the states surrounding Israel to do a deal that brings the Palestinians, finally, to the table, and brings concessions from the Israelis.

Mr David Winnick (Walsall North) (Lab): Is not the truth of the matter that the Israeli authorities have at no stage over the years ever wanted a viable independent Palestinian state? President Trump's inane comments have strengthened the ultras in Israel. What encouragement can one give to the Palestinian people in view of the continuing destruction of their homes and the building of settlements by Israelis?

Boris Johnson: Every Israeli Prime Minister in the last 20 years has supported a two-state solution, and that is the right way forward. It is the policy of the UK Government and remains the policy of the US Government. The difficulty will be to get a deal that not only allows the creation of the Palestinian state that I think everybody wants to achieve, but protects the security of the state of Israel.

Fabian Hamilton (Leeds North East) (Lab): But last week President Trump said very clearly on televisions across the world that he could "live with either one" of a two-state or one-state solution. I am sure the Foreign Secretary agrees it is deeply disappointing that the President could casually disregard so many years of international consensus on a possible peace agreement between Israel and the Palestinian people. Did Mr Netanyahu give any hint at his recent meeting with the Prime Minister that he too was prepared to live with a one-state solution? If so, what was her response?

Boris Johnson: Let us be absolutely clear. As both the President and Prime Minister Netanyahu, and indeed the Palestinians, have said, there needs to be dialogue, but at the moment I do not think that the Palestinians are committing to dialogue in the way they could and should be. It takes two to negotiate. We have seen no progress over the last eight years. Let us not rule out the possibility of progress today.

Leaving the EU: Defence

9. **Sir Gerald Howarth** (Aldershot) (Con): What plans he has for co-operating with EU countries on defence policy after the UK has left the EU. [908811]

The Minister for Europe and the Americas (Sir Alan Duncan): We are strongly committed to European scrutiny and will remain so after we leave the EU. NATO remains the cornerstone of our defence, and we will continue to play our full part in supporting European security, particularly in eastern Europe.

Sir Gerald Howarth: I welcome my right hon. Friend's commitment to NATO, but does he not find it as depressing as I do that while other EU countries are completely obsessed with creating an EU defence identity,

they are failing miserably to meet their NATO requirement of spending a minimum of 2% of their GDP on defence? Is not the foot-dragging by Germany, the richest country in Europe, and its refusal to honour that commitment until 2024 particularly perverse?

Sir Alan Duncan: We continue to make it clear that nothing should cut across NATO's role as the cornerstone of European defence. Other parties' contributions being fairly distributed to NATO would make sure that NATO can remain the force it needs to be.

Emma Reynolds (Wolverhampton North East) (Lab): The Foreign Secretary mentioned the sanctions against Russia over its actions in Ukraine. Will the Minister confirm that even when we leave the EU it will be open to us to democratically agree such sanctions with the rest of the EU where it is in our mutual interest?

Sir Alan Duncan: That is not specifically a question about defence policy, as on the Order Paper, but none the less I can reassure the hon. Lady that the answer is yes. Some kind of parallel structure for implementing sanctions will be required and I am sure will be agreed.

Myanmar

11. **Yasmin Qureshi** (Bolton South East) (Lab): What recent assessment he has made of the progress of the transition to civilian democratic rule in Myanmar. [908813]

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alok Sharma): Burma has made welcome progress towards democracy since embarking on reforms in 2011. It has lifted media censorship and released political prisoners, and held legitimate elections in 2015. The military remains powerful, however, and under the constitution is granted 25% of the seats in Parliament. Clearly, we want to see a transition to full democracy.

Yasmin Qureshi: The National League for Democracy, in power at the moment, continues to lock up those of its own activists who have spoken against the excesses of Burma's military and its treatment of ethnic minorities. Will the Minister make it clear to the Burmese Government that it cannot be recognised as genuinely democratic if it keeps putting its critics behind bars?

Alok Sharma: Human rights are vital, of course, and we always ask any Government to make sure that they are observed. More broadly, the issues right now are stopping the violations, securing humanitarian access and delivering accountability in parts of Burma where it is lacking, and those are precisely the points my right hon. Friend the Foreign Secretary pressed the Burmese Government and the military on when he visited Burma last month.

Catherine West (Hornsey and Wood Green) (Lab): Burma's Rohingya Muslims were banned from voting in last year's elections, and have since been excluded from dialogue between the military and other ethnic minority groups. Endemic violence against the Rohingya has recently been described by UN officials as ethnic cleansing that may amount to crimes against humanity.

Did the Foreign Secretary raise the plight of the Rohingya with Daw Suu and the generals on his recent trip to Burma?

Alok Sharma: Yes, he most certainly did.

Topical Questions

T1. [908828] **Rob Marris** (Wolverhampton South West) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Foreign and Commonwealth Affairs (Boris Johnson): By the next time I answer questions in the House, the Government will have invoked article 50. My priority for the rest of the year therefore will be to ensure the smoothest and cleanest possible departure from the EU consistent with maintaining close co-operation with our European friends. I shall also strive—the Opposition can never achieve this—to work alongside the new US Administration as we deal with common challenges posed by Russia and the crises in the middle east.

Rob Marris: In July 2015, the highest court in Colombia decided that Her Majesty's Government had discriminated against its embassy employee, Mr Darwin Ayrton Moreno-Hurtado, on the basis of his ethnic identity and religious convictions. The court ordered his immediate reinstatement, yet Her Majesty's Government stubbornly continue to refuse to obey the court in Colombia. Does the UK Government not take seriously the judicial decisions of courts in Colombia, or do they not take seriously the need to cease ethnic and religious discrimination against their employees in Columbia?

The Minister for Europe and the Americas (Sir Alan Duncan): As the hon. Gentleman well knows—I have written to him in detail—it is impossible to reinstate that person as the job no longer exists.

T3. [908830] **Ben Howlett** (Bath) (Con): Bath has a great local charity called GlobalARRK, which helps women who are stuck overseas, often facing domestic violence. What is my right hon. Friend doing to help stuck parents who are unable to return to their home country with their children?

Boris Johnson: My hon. Friend will know that we have a programme to support the return of children whose parents are stuck in the wrong country. We do it through our—oh, what is it? We do it through our proper processes in making use of all our consular services.

Liz McInnes (Heywood and Middleton) (Lab): I am sure the whole House will welcome the recent positive political developments in the Gambia. The Gambian authorities are already investigating allegations that the former President Jammeh smuggled millions of dollars' worth of assets out of the country before his departure last month. What steps are the Government taking to help track down any missing assets, including any that might have ended up in the UK, and to make sure that any proceeds of corruption are returned to the Gambia without delay?

Boris Johnson: We are doing everything we can to support the Gambia's judicial system. The hon. Lady will know that the new President Barrow has indicated that he would like the UK to be the Gambia's principal partner of choice in tackling corruption in that country and putting the Gambia back on an even keel. I can tell you, Mr Speaker, that when I recently went to the Gambia, there were crowds in the street dancing—*[Interruption.]* Not necessarily because they were pleased to see me—perhaps they were—but because they were delighted that the Gambia was being welcomed back into the Commonwealth. I can say that their joy was unconfined.

T9. [908836] **Karl McCartney** (Lincoln) (Con): Further to comments made last week by my right hon. Friend the Foreign Secretary, would he care to suggest what the great British public should watch on television rather than the former Prime Minister and former Member for Sedgefield and his disgraced colleague and guacamole-loving former Member for Hartlepool?

Boris Johnson: I am very grateful to my hon. Friend for his question. I hesitate to advise the British public what to watch on television, but I have to say that I think they will exercise their infinite sagacity and wisdom in not heeding the siren voices of those who try to overturn the democratic decision of this country's people last year to embark on a course that I think will lead us not only to democratic emancipation, but to a new course of global prosperity.

T2. [908829] **Yasmin Qureshi** (Bolton South East) (Lab): A report published by Physicians for Human Rights, an independent non-governmental organisation, states that recently, during the conflict in Indian-occupied Kashmir, Indian authorities responded to protesters—who were unarmed—by killing 87 of them and injuring 9,000. What representations have our Government made to the Indian authorities about that excessive use of force?

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Alok Sharma): We discuss a wide range of issues with the Indian authorities. As for the specific issue raised by the hon. Lady, earlier in the year the state Government of Jammu and Kashmir ordered the establishment of special investigating teams to look into deaths of civilians and the involvement of police personnel during the five-month-long unrest in Indian-administered Kashmir, and we will of course monitor their reports closely.

Adam Afriyie (Windsor) (Con): There were also crowds of people to welcome us when we arrived in Ghana a week or two ago. Although we could not quite work out whether the welcome was for us or for the Minister for Trade and Investment, it was thoroughly enjoyable nevertheless.

It seems to me that the greater the number of trading connections that we forge, particularly in west Africa, the stronger the foundation on which to build good international relations will be. Does my right hon. Friend agree that withdrawal from the European customs union will give us a once-in-a-generation opportunity to boost our diplomatic relations worldwide?

Boris Johnson: I thank my hon. Friend for his work as trade envoy to Ghana. Indeed, I thank all our trade envoys, who do a fantastic job around the world. It is thanks to the efforts of my colleague the Minister for Trade and Investment and others that we are seeing increased trade with countries such as Ghana, and I was very proud to see British firms operating there. I believe that the largest single private sector employer in Ghana is a firm run by a Brit. We should all be proud of the contribution that those firms are making.

T4. [908831] **Ms Margaret Ritchie** (South Down) (SDLP): Former Prime Minister Blair has acknowledged that people voted to leave the European Union but not at any price. Does the Foreign Secretary agree that when the price of Brexit becomes clear, people should be asked to confirm that that is a price that they wish to pay?

Boris Johnson: The House gave a clear mandate, 6:1, to give the people the decision on whether to stay in the European Union. All sorts of threats and all sorts of blandishments were made to the people of this country to persuade them to vote to stay in. Those threats and those warnings have proved to be fallacious, and I think that all future such threats will be taken with a pinch of salt.

T10. [908837] **Lucy Frazer** (South East Cambridgeshire) (Con): Many sectors in my constituency rely on foreign workers, from highly skilled workers in pharma to seasonal workers in agriculture, and including 12% of workers at Addenbrooke's, my local hospital. I know that the Foreign Secretary values the important contribution to the economy made by foreign workers such as EU nationals, but will he also acknowledge that it is important to give them some certainty about their future as soon as possible?

Boris Johnson: I fully accept that we need to give all the 3.2 million EU nationals in this country the maximum possible certainty, and that we should do it as fast as we possibly can. Unfortunately, however, I do not think it is reasonable to do it before giving certainty to UK nationals in other EU countries. We would like to get on with that as fast as possible, and it is up to our friends and colleagues abroad to join us.

T5. [908832] **Neil Gray** (Airdrie and Shotts) (SNP): Last week, on the issue of securing peace between Palestine and Israel, Donald Trump said:

"So I'm looking at two-state, and one-state...I can live with either one."

Having heard that direct quote, how can the Foreign Secretary say, as he did earlier to my right hon. Friend the Member for Gordon (Alex Salmond) and my hon. Friend the Member for Linlithgow and East Falkirk (Martyn Day), that US policy has not changed or is not changing?

Boris Johnson: I really must accuse the hon. Gentleman of failing to listen to the answer that I gave a few moments ago. I am not here to defend or explain what the American President said, but he made it very clear that there should be dialogue, and he also made it very clear that he thought that the illegal settlements should

no longer continue. The solution is a deal between the two parties, and that is what everyone in the House believes and wants.

Mr Andrew Mitchell (Sutton Coldfield) (Con): Today, once again, the ghastly prospect of famine stalks the world in four countries with which Britain has very close and long-standing historical connections: Yemen, north-east Nigeria, South Sudan and Somalia. Will the Foreign Secretary ensure, perhaps through the co-ordinating mechanism of the National Security Council, that every sinew of government is bent to address and combat this unconscionable situation?

Boris Johnson: Yes, I can certainly give my right hon. Friend that assurance. The whole House can be very proud of the work being done by the Department for International Development, and the huge contribution this country makes through UK aid to all four of the regions he identifies. He has recently been to Yemen, and he will know that this is a very difficult and intractable problem, but it is the UK who is trying to knock heads together and get a deal.

T6. [908833] **Vicky Foxcroft** (Lewisham, Deptford) (Lab): Despite its continued violations of international law, Israel enjoys favoured trade status with the UK and the EU. Does the Minister agree that if the UK Government are serious about peace and justice post-Brexit, we must revisit trade negotiations with Israel while it continues to deny Palestinians their rights?

Boris Johnson: If the hon. Lady is suggesting that we should boycott Israeli goods, I must say that I completely reject her advice.

Andrew Rosindell (Romford) (Con): Does the Foreign Secretary agree that any global Britain strategy should include the whole of the global British family, which means the British overseas territories and the Crown dependencies? What guarantees will the Government give that they will be included in any new arrangements post-Brexit?

Sir Alan Duncan: I am certain I can give my hon. Friend the assurance he seeks. I know that one prime focus of his thoughts is Gibraltar, and I can assure him that the sovereignty position remains totally unchanged. Gibraltar is fully involved in the preparations for the process of leaving the European Union.

T7. [908834] **John Pugh** (Southport) (LD): Will the Government support the UN special rapporteur's call for a full UN inquiry into abuses against the Rohingya Muslims by the Burmese army at the UN Human Rights Council this month? This is a specific question.

Alok Sharma: The UN high commissioner for human rights has issued a substantive report on the widespread human rights violations, and of course the UN special rapporteur also referred to violations in her recent press briefing. A full report is due in March. In the light of these two reports, the UK will consider, with international partners, the scope for further enhancing scrutiny of the military's actions in Rakhine. I can confirm that I will be attending the Human Rights Council.

Sir Hugo Swire (East Devon) (Con): Brexit provides an opportunity to review the role of the FCO, which has been woefully under-resourced for far too long. Does my right hon. Friend the Foreign Secretary agree that there should be a moratorium on any asset disposals until such a review is complete, and that such a review should also examine how finally to bring other Departments with overseas representatives under the control of the respective heads of mission?

Boris Johnson: I am delighted for the support from my right hon. Friend in campaigning for proper funding for our diplomatic missions overseas. It is true that we have an absolutely unparalleled network around the world, and it is also true that the missions will be needed more than ever as we forge a new global future. That point will be heard loud and clear by the current occupant of the Treasury, who was, after all, the previous Foreign Secretary.

T8. [908835] **Alison Thewliss** (Glasgow Central) (SNP): Last month the all-party group on Yemen met in-country NGOs, who raised significant concerns about the safety of aid workers in Yemen, particularly those at checkpoints, who were at risk of being caught in aerial bombardments. Will the Ministers tell me, please, what specifically the Government are doing to end aerial bombardment in Yemen so that aid can get through?

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Tobias Ellwood): The hon. Lady raises an important point. I will be visiting Riyadh this week and having discussions with President Hadi and, indeed, Adel al-Jubair. We are concerned that we need to move towards a political resolution, and we want the military component that has been taking place to end.

Nadhim Zahawi (Stratford-on-Avon) (Con): The Israeli Prime Minister has recently spoken about coming together with the Gulf Co-operation Council on security issues. Countries such as Jordan and Egypt have played a significant role in previous peace processes. Does the Foreign Secretary think that the GCC has a significant role to play in the Israeli-Palestinian peace process?

Boris Johnson: My hon. Friend brings a wealth of knowledge to this subject. I do think that the GCC and the Arab countries more generally hold the key, and that a variant of what used to be called the Arab peace plan is indeed where we will end up. What it will take now is for both sides to see that, and to make progress.

John Woodcock (Barrow and Furness) (Lab/Co-op): The announcement by Toshiba last week regarding NuGen will mean that new foreign investment will be required for the Moorside nuclear development. Does this not place a new question mark over the UK's decision to pull out of Euratom, which will create more instability for the industry?

Sir Alan Duncan: We shall remain a full member of Euratom while we remain part of the European Union, and we intend to make sure that all our research into nuclear fusion will continue after we leave.

Chris Davies (Brecon and Radnorshire) (Con): We all look forward to the day when a sovereign Palestinian state exists alongside a safe and secure Israel. Does my right hon. Friend agree that that can be achieved only through face-to-face negotiations between the Palestinians and the Israelis?

Boris Johnson: I certainly agree with that, and those negotiations should take place as fast as possible and without preconditions.

Mr Douglas Carswell (Clacton) (UKIP): With Iran testing missiles, Russia plotting coups and North Korea murdering dissidents, does the Foreign Secretary agree that now is the time to renew western resolve and leadership, which has sometimes been lacking during the past eight years?

Boris Johnson: I completely agree. One of the interesting phenomena of the global reaction to the new US President is how much it is at variance with some of the commentary I have heard from the Opposition Benches this morning. When I go around the world, I find that many people in foreign ministries and other Governments are hopeful that they will see American leadership again where it has been lacking. They are particularly encouraged by the role of the United Kingdom in helping to transmit and improve American policy.

Martin Vickers (Cleethorpes) (Con): Last week I led a delegation to Kosovo, and I can tell my right hon. Friend that the President, the Prime Minister and others that we met there greatly appreciated his visit. May I invite him to reaffirm our continued support for Kosovo and to take part in any future initiatives to help it?

Boris Johnson: Yes, I certainly shall. I much enjoyed my time in Kosovo. All those on the Labour Benches who have sprung to the defence of their former Prime Minister today should know that he is memorialised, at least in Kosovo, in that no fewer than eight 16-year-olds there have been christened Tony Blair.

Tom Brake (Carshalton and Wallington) (LD): President Putin might be President Trump's new best buddy, but he is certainly not ours. Will the Foreign Secretary give his full support to the Magnitsky amendments that we

are going to debate in a few minutes, which would allow the assets of any Russians involved in the murder of Magnitsky to be seized in the UK?

Boris Johnson: We will be looking very carefully at that debate as it unfolds, and at the arguments that are made. We think that we have good provision in our statutes at the moment, but we will take account of the debate as it evolves.

Mims Davies (Eastleigh) (Con): I recently had a meeting in my constituency surgery with a delegation from Cameroon regarding the lack of democracy in that country. They described fear, brutality and a lack of education in English-speaking Cameroon. What role can the Foreign and Commonwealth Office and the conflict, stability and security fund play in supporting democracy in that area?

Mr Ellwood: First, I want to pay tribute to the diasporas based in the UK that provide us with an understanding of what is going on in their countries. I also pay tribute to the work that my hon. Friend is doing, and I absolutely agree with the concerns that she has raised about Cameroon. She is right to point to the conflict, stability and security fund as a way for us to provide funds to achieve that security, and we will be doing just that.

Andy Slaughter (Hammersmith) (Lab): A few moments ago, the Secretary of State confirmed as Government policy something that this House resolved without a Division on 9 February—that there should be a halt to the planning and construction of residential settlements in the occupied Palestinian territories. Given that that is the case, why is the UK permitted to trade specifically with those illegal settlements?

Boris Johnson: It is the policy of the UK, and I think of many of our friends and partners, to continue to trade on the grounds that that is the best way to support the economy of the region. Many workers in the region come from populations within the occupied Palestinian territories, and their livelihoods depend on that industry. That policy is widely understood and supported, and we will continue with it.

Several hon. Members *rose*—

Mr Speaker: Order. I am grateful to the Foreign Secretary and to colleagues. We must move on.

Points of Order

12.40 pm

James Duddridge (Rochford and Southend East) (Con): On a point of order, Mr Speaker. Thank you for taking this point of order. Notwithstanding the underwhelming support for my vote of no confidence in you, have the Government or indeed the Backbench Business Committee contacted you in any way to allocate time for this unresolved matter to be debated and, indeed, voted on?

Mr Speaker: The short answer is no, and there is absolutely no reason why they should have done, a point which I can say from my own head and heart fortified in the knowledge that it is also the sound advice of the experienced Clerk of the House, who has been working in the service of the House for 40 years.

Ms Tasmina Ahmed-Sheikh (Ochil and South Perthshire) (SNP): On a point of order, Mr Speaker. While the Foreign Secretary is still in the Chamber, I want to ask for clarification. He said from the Dispatch Box during Question Time that the Trump travel ban order would not affect UK passport holders. Is he aware of the case of the teacher from Swansea who has been—*[Interruption.]* I am giving the Foreign Secretary the opportunity to clarify that he is aware of the matter and that it is in hand.

Mr Speaker: That is not specifically a matter for the Chair. If the Foreign Secretary wants to respond on the Floor of the House, he is free to do so, but he is under no obligation. I get the impression that the hon. Lady will be contacted.

The Secretary of State for Foreign and Commonwealth Affairs (Boris Johnson): If the case that the hon. Lady is referring to is the one that I am thinking of, I have written to her about it.

Andrew Bridgen (North West Leicestershire) (Con): On a point of order, Mr Speaker. You quite rightly apologised to the Lord Speaker for unilaterally seeking to ban the President of the United States from speaking in Westminster Hall. When can we expect an apology in this Chamber?

Mr Speaker: I am grateful to the hon. Gentleman. I treated of that matter very fully both on the day in question, when I responded to the hon. Member for Cardiff South and Penarth (Stephen Doughty), and on the following day, when there were points of order. I cannot recall whether the hon. Member for North West Leicestershire (Andrew Bridgen) was in his place at that time, but I responded to points of order and the matter was addressed fully, so we shall leave it there. I am extremely grateful to the hon. Gentleman for his interest.

Government Services (Telecommunication Charges)

Motion for leave to bring in a Bill (Standing Order No. 23)

12.42 pm

Chris Stephens (Glasgow South West) (SNP): I beg to move,

That leave be given to bring in a Bill to restrict charges for using telecommunications to contact certain government advice services; and for connected purposes.

The Bill that I am proposing would regulate the provision of telecommunications advice lines by all Government Departments so that call charges to citizens would be restricted or, for the most vulnerable, eliminated. It would ask Government Departments to conduct an assessment for each local authority area of the provision of public computer equipment capable of being used by Department for Work and Pensions claimants, for example, and to publish the results. If that assessment were to demonstrate that the total number of units of public computer equipment was less than one for every 20 claimants, all Secretaries of States would have to make provision for a dedicated telephone number that could be accessed at zero cost, including without having to use coins or cards at a public telephone. I also propose that if Departments were unable to take a call within a reasonable period, such as five minutes, the caller should be given a regularly updated estimate of the likely waiting time, with the offer of an immediate call-back facility. That is an essential courtesy.

MPs often encounter examples of unfairness and injustice when, through no fault of their own, people seem to be punished for finding themselves in need, and where rules and regulations actively harm, not help, the average citizen who is simply seeking what they are entitled to. A key part of the role of an elected Member is to help people to navigate their way through the system, but since being elected, I have been shocked by the in-built unfairness and the costs of claiming.

Take the Department for Work and Pensions. Although an initial inquiry to the DWP is free, follow-up inquiries about a claim, queries about benefits sanctions, or even reporting that a benefit has not been paid on time all come with call charges. Constituents have told me that those calls can be very expensive—as much as £9 or £16 a time—and that long waiting times to speak to an adviser bump up that cost even further.

Other examples of services that charge for access are the child maintenance helpline and the Home Office helpline for inquiries about spousal visas, which costs £1.37 a minute over and above network charges. There can be no justification for the Home Office imposing charges on anyone for a genuine inquiry service. Dealing with telephone inquiries must be treated as a valid overhead cost that is covered by the fees levied for the application process itself.

Telephone network charges vary and, again, they can be seen to discriminate against the least well-off. All providers include 03 numbers in their inclusive call packages, but calls to such numbers are often presented as if they are available only to those who are well off. That even applies to pay-as-you-go arrangements, which are more likely to be used by low-income households.

They may be unaware of the bundles that enable calls to be made at no more than 7p a minute, rather than the range of 10p a minute to 55p a minute suggested on the Government website, as updated on 7 February.

I thank David Hickson of the fair telecoms campaign for providing me with information as I prepared this Bill. David tells me that the campaign fully supports the use of 0800 numbers, and the consequent bonanza for telephone companies, in cases when it is essential that nobody pays for a call. He is, however, concerned that greater use of 0800 numbers would do nothing to help constituents who get ripped off when calling friends, or their MP, on ordinary numbers. There is therefore a strong case for us all to push the point that it is essential to ensure that everybody chooses the most appropriate telephone call plan for their needs. Those of us who are well-off, smart consumers do that anyway, but there is a need for greater assistance and guidance to be given to all.

Last July, the Social Security Advisory Committee recommended that all telephone calls to the DWP should be free via 0800 numbers. The Government's response was that that would cost £7 million, which is not a lot in the context of the overall budget. The roll-out of universal credit threatens to extend call times and costs to claimants due to the nature of the new benefit, which will require frequent contact from claimants to update the DWP on their circumstances. A ministerial written answer last year revealed that the average length of a call to the universal credit helpline is seven minutes and 29 seconds, which is equivalent to £4.40 at one major phone operator's rates. Universal credit is a replacement for jobseeker's allowance, and the weekly equivalent is £73.34, so claimants will already have less to live on than they are allocated simply for calling a helpline.

The push over the edge into poverty should not be administered by the DWP and other Government Departments through charging for inquiry lines. When the safety net becomes a trap, it is time to ask what sort of Government boost telephone company profits on the backs of the poor.

Far from working to create a society that is fair for all, the Government have not responded positively so far to the campaign to remove telephone helpline charges, which can be up to 55p a minute. When I have queried the cost of calling, the ministerial response has inevitably mentioned the alternative of online access for inquiries and claims. That is fine for those who are digitally literate, who can afford broadband and who live in an area with good connectivity, but it is not so great otherwise and a further in-built barrier that stops people from accessing the support to which they are entitled. Although there has been some funding for public access terminals and digital learning, if all the people who seek advice on claims were to switch from phoning to the use of public internet access terminals, libraries and community centres would be unable to cope with the demand.

When I was researching this issue, I was particularly struck by a DWP spokesperson's response to the telephone tax campaign last year, which was that online access is widely available through the network of jobcentres. I pause for a moment as we reflect on the proposed closure programme for the DWP estate. It should not be too difficult to conduct an audit, in conjunction with local authorities, to identify the availability of free online access terminals to our constituents, or the lack thereof. In fact, I am inclined to conduct one in my constituency of Glasgow South West and to compare that with the claimant count. I strongly suspect that that would reveal a mismatch.

The other stock ministerial response to questions about phone charges for inquirers is the use of a call-back, but it is rather difficult for an inquirer who is on hold if a call-back is not offered routinely. A call-back also requires the caller to self-identify as vulnerable. That in-built humiliation within the system is familiar to those of us who have watched "I, Daniel Blake".

Ministers have promised a review of telephone charges, but I ask the Government to act on the recommendations of the 2016 Social Security Advisory Committee report "Telephony in DWP and HMRC: an update" as part of the review, introduce a more effective call-back system for vulnerable customers, and bring in an information system that advises customers of possible wait times. That should be adopted across all Government services as best practice. The need for reform is pressing with regard to benefit claims, but over-the-top charging for information, through a lack of recognition of the least well-off's limited access to the range of phone packages available and a lack of digital inclusion, excludes and discriminates against far too many of our citizens.

As Mr David McAuley from the Trussell Trust put it:

"When incomes are extremely tight, we could see people being forced to choose between phoning to make a...claim and buying essential food supplies".

Unless people have been in that position, or have a case load from a constituency like mine, it might be difficult for them to understand how disempowering or discriminatory the system can be, and that every penny spent on a phone call ramps up stress and anxiety for people who simply want access to information, support and the benefits to which they are entitled. I commend the Bill to the House.

Question put and agreed to.

Ordered,

That Chris Stephens, Mhairi Black, Jonathan Edwards, Neil Gray, Dr Philippa Whitford, Drew Hendry, Ms Margaret Ritchie, Mr Alistair Carmichael, Ian Blackford, Mr Jim Cunningham, Grahame M. Morris and Mark Durkan present the Bill.

Chris Stephens accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 24 March, and to be printed (Bill 141).

Criminal Finances Bill

Consideration of Bill, as amended in the Public Bill Committee.

New Clause 7

UNLAWFUL CONDUCT: GROSS HUMAN RIGHTS ABUSES OR VIOLATIONS

‘(1) Part 5 of the Proceeds of Crime Act 2002 (civil recovery of the proceeds etc of unlawful conduct) is amended as follows.

(2) In section 241 (meaning of “unlawful conduct”), after subsection (2) insert—

“(2A) Conduct which—

- (a) occurs in a country or territory outside the United Kingdom,
- (b) constitutes, or is connected with, the commission of a gross human rights abuse or violation (see section 241A), and
- (c) if it occurred in a part of the United Kingdom, would be an offence triable under the criminal law of that part on indictment only or either on indictment or summarily,

is also unlawful conduct.”

(3) After that section insert—

“241A “Gross human rights abuse or violation”

- (1) Conduct constitutes the commission of a gross human rights abuse or violation if each of the following three conditions is met.
- (2) The first condition is that—
 - (a) the conduct constitutes the torture of a person who has sought—
 - (i) to expose illegal activity carried out by a public official or a person acting in an official capacity, or
 - (ii) to obtain, exercise, defend or promote human rights and fundamental freedoms, or
 - (b) the conduct otherwise involves the cruel, inhuman or degrading treatment or punishment of such a person.
- (3) The second condition is that the conduct is carried out in consequence of that person having sought to do anything falling within subsection (2)(a)(i) or (ii).
- (4) The third condition is that the conduct is carried out—
 - (a) by a public official, or a person acting in an official capacity, in the performance or purported performance of his or her official duties, or
 - (b) by a person not falling within paragraph (a) at the instigation or with the consent or acquiescence—
 - (i) of a public official, or
 - (ii) of a person acting in an official capacity,
 who in instigating the conduct, or in consenting to or acquiescing in it, is acting in the performance or purported performance of his or her official duties.
- (5) Conduct is connected with the commission of a gross human rights abuse or violation if it is conduct by a person that involves—
 - (a) acting as an agent for another in connection with activities relating to conduct constituting the commission of a gross human rights abuse or violation,
 - (b) directing, or sponsoring, such activities,
 - (c) profiting from such activities, or
 - (d) materially assisting such activities.
- (6) Conduct that involves the intentional infliction of severe pain or suffering on another person is conduct that constitutes torture for the purposes of subsection (2)(a).

(7) It is immaterial whether the pain or suffering is physical or mental and whether it is caused by an act or omission.

(8) The cases in which a person materially assists activities for the purposes of subsection (5)(d) include those where the person—

- (a) provides goods or services in support of the carrying out of the activities, or
- (b) otherwise provides any financial or technological support in connection with their carrying out.”

(4) The amendments made by this section—

- (a) apply in relation to conduct, so far as that conduct constitutes or is connected with the torture of a person (see section 241A(2)(a) of the Proceeds of Crime Act 2002 as inserted by subsection (3) above), whether the conduct occurs before or after the coming into force of this section;
- (b) apply in relation to property obtained through such conduct whether the property is obtained before or after the coming into force of this section;
- (c) apply in relation to conduct, so far as that conduct involves or is connected with the cruel, inhuman or degrading treatment or punishment of a person (see section 241A(2)(b) of that Act as inserted by subsection (3) above), only if the conduct occurs after the coming into force of this section.

This is subject to subsection (5).

(5) Proceedings under Chapter 2 of Part 5 of the Proceeds of Crime Act 2002 may not be brought in respect of property obtained through unlawful conduct of the kind mentioned in section 241(2A) of the Proceeds of Crime Act 2002 (as inserted by subsection (2) above) after the end of the period of 20 years from the date on which the conduct constituting the commission of the gross human rights abuse or violation concerned occurs.

(6) Proceedings under that Chapter are brought in England and Wales or Northern Ireland when—

- (a) a claim form is issued,
- (b) an application is made for a property freezing order under section 245A of that Act, or
- (c) an application is made for an interim receiving order under section 246 of that Act,

whichever is the earliest.

(7) Proceedings under that Chapter are brought in Scotland when—

- (a) the proceedings are served,
- (b) an application is made for a prohibitory property order under section 255A of that Act, or
- (c) an application is made for an interim administration order under section 256 of that Act,

whichever is the earliest.” —(*Mr Wallace*.)

This new clause extends the meaning of “unlawful conduct” for the purposes of Part 5 of the Proceeds of Crime Act 2002, so that it includes conduct in other countries that constitutes the gross human rights abuse or violation of a person who has sought to expose illegal activity of a public official or person acting in an official capacity, or to promote etc human rights. Part 5 confers civil recovery powers in relation to property that has been obtained through unlawful conduct.

Brought up, and read the First time.

12.52 pm

The Minister for Security (Mr Ben Wallace): I beg to move, That the clause be read a Second time.

Mr Speaker: With this it will be convenient to discuss the following:

New clause 1—*Civil recovery: gross abuse of human rights*—

“(1) Part 5 of the Proceeds of Crime Act 2002 (civil recovery of the proceeds etc. of unlawful conduct) is amended as follows.

(2) In section 241 (which defines unlawful conduct), after subsection (2), insert—

“(2A) Conduct which—

- (a) occurs in a country or territory outside the United Kingdom and has been designated as conduct by a person connected to a gross human rights abuse in accordance with the provisions of section 241B, and
- (b) if it occurred in a part of the United Kingdom, would be or would have been unlawful under the criminal law of that part at the relevant time,

is also unlawful conduct.”

(3) After section 241 (which defines unlawful conduct), insert—

“241A Conduct connected to a gross human rights abuse

(1) “Conduct connected to a gross human rights abuse” means—

- (a) involvement by a Person (“A”) in torture or other serious breaches of human rights and fundamental freedoms against a Person (“B”) where B sought or seeks—
 - (i) to expose illegal activity carried out by foreign public officials, or
 - (ii) to obtain, exercise, defend or promote human rights and fundamental freedoms,
- (b) activities by a Person (“C”) as an agent in a matter relating to an activity by A described in paragraph (a),
- (c) activities by a Person (“D”) to profit from, materially assist, sponsor, or provide financial, material or technological support for, or goods and services in support of, an activity by A described in paragraph (a),
- (d) commission by a Person (“E”), whether or not a foreign public official, of the illegal activity described in paragraph (a)(i).

(2) For the purposes of this section, it is immaterial where the conduct occurred.

(3) In this section “human rights and fundamental freedoms” means the “Convention rights” as defined in section 1 of the Human Rights Act 1998.

241B Designation of conduct connected to a gross human rights abuse

“(1) The High Court may make an order designating that the actions of the respondent constitute conduct connected to a gross human rights abuse and, if considered appropriate, that—

- (a) a person is prohibited from dealing with property, funds or economic resources owned, held or controlled by the respondent if the person knows, or has reasonable cause to suspect, that the person is dealing with such property, funds or economic resources,
- (b) a person is prohibited from making property, funds or financial services available (directly or indirectly) to the respondent if the person knows, or has reasonable cause to suspect that the person is making the funds or financial services so available,
- (c) a person is prohibited from making funds or financial services available to any person for the benefit of the respondent if the person knows, or has reasonable cause to suspect, that the person is making the funds or financial services so available.

(2) An order under subsection (1) may only be made on application.

(3) An application for an order under subsection (1) may be made by—

- (a) the Secretary of State,

(b) an individual, or

(c) an entity, including a non-governmental organisation.

(4) An application for an order under subsection (1) must be supported by a statement of information which addresses—

(a) the circumstances surrounding the respondent’s conduct connected to a gross human rights abuse, and

(b) the nature and extent of the respondent’s involvement.

(5) An application for an order under subsection (1) may be made without notice to the respondent to a judge in chambers.

(6) The Court must be satisfied that it is in the public interest to make an order under subsection (1).

(7) The Court shall reach a decision on an order under subsection (1) on the balance of probabilities.

241C Duration, extension, variation and discharge of an order

“(1) The High Court shall specify the duration of an order under section 241B(1) which shall not exceed two years.

(2) In determining the duration of an order, the Court shall have regard to the likely duration of consequential proceedings under this Part.

(3) The Court may extend an order for a maximum period to two years at any time before it expires, if it is satisfied that the requirements of a designation order continue to be met.

(4) An extension application may be made without the need for a hearing if the court considers it appropriate.

(5) An application to extend, vary or discharge an order may be made to the court by—

- (a) the Secretary of State,
- (b) the applicant,
- (c) the respondent, or
- (d) any person affected by the order.

(6) An application to discharge a designation order must be made by the applicant as soon as reasonably practicable in circumstances where the requirements of an order are no longer satisfied.

241D Appeals, etc.

“(1) The following persons may appeal to the Court of Appeal in respect of the High Court’s decision on matters falling to be decided under sections 241B and 241C—

- (a) the applicant,
- (b) the respondent, or
- (c) any person affected by the order.

(2) On an appeal under subsection (1) the Court of Appeal may—

- (a) confirm the decision, or
- (b) make such orders as it believes appropriate.

(3) An appeal lies to the Supreme Court from a decision of the Court of Appeal on an appeal under this section.

(4) An appeal under this section lies at the instance of any person who was a party to the proceedings before the Court of Appeal.

(5) On an appeal under this section the Supreme Court may—

- (a) confirm the decision of the Court of Appeal, or
- (b) make such order as it believes is appropriate.

241E Standard to be applied

All matters to be determined by a court under sections 241B to 241D are to be decided on the balance of probabilities.

241F Costs

In the exercise of its discretion, a court may, on application, make a costs capping order in respect of proceedings under sections 241B to 241D.

241G Duties in respect of gross abuse of human rights

“(1) It shall be the duty of the Secretary of State to apply for an order under section 241B where the Secretary of State is satisfied that—

- (a) the requirements for the making of an order are met; and
 - (b) it is in the public interest to make the application.
- (2) It shall be the duty of the Secretary of State to maintain a public register of—
- (a) individuals in respect of whom orders have been made under section 241B(1),
 - (b) the circumstances giving rise to the making of such orders, and
 - (c) any decisions of a court under sections 241C and 241D in relation to such orders.
- (3) In any case where a relevant authority considers that evidence is available of property being held by a person in respect of whom an order has been made under section 241B which may represent property obtained through unlawful conduct, it shall be the duty of the relevant authority to seek to initiate proceedings for civil recovery under this Part.”
- (4) In section 304 (which defines recoverable property), after subsection (1), insert—

“(1A) Property of a person who is the subject of a designation order under section 241B is presumed to have been obtained through unlawful conduct unless the contrary is shown by the respondent.””

This new clause extends the scope of unlawful conduct for the purposes of Part 5 of the Proceeds of Crime Act 2002 to cover to certain actions connected to a gross human rights abuse which has taken place abroad.

Government amendments 58 and 59.

Mr Wallace: Some time has passed since we last considered this Bill. There was, as hon. Members will recall, a great deal of cross-party consensus on it, both on Second Reading and in Committee, and I hope that we will be able to continue in that same spirit of constructive debate and healthy scrutiny today.

This first group of amendments concerns the extremely grave matter of gross human rights abuses or violations. The Government are committed to promoting and strengthening universal rights globally, and I welcome the opportunity to debate this issue. In particular, these amendments have been prompted by the harrowing case of Sergei Magnitsky. Magnitsky was not a serious criminal; he was a lawyer who tried to blow the whistle on large-scale tax fraud in Russia, and he believed that he would be protected by the law. Unfortunately, he died in state custody in 2009 after suffering both mistreatment and assault, and being denied medical attention. I share the strong feelings of many hon. Members about this case, and I want to reassure the House that the Government have expressed, both publicly and to the Russian Government, our serious concerns about Mr Magnitsky's death. Of course, we must also remember that his case is only one of many atrocious human rights violations committed globally each year.

As I am sure that hon. Members will highlight, the US has legislated to prohibit the entry of certain named individuals to the US and to forbid them use of the US banking system. Less than two months ago, President Obama's Administration extended the legislation so that it could be applied to those involved in human rights violations, wherever in the world they have taken place. That sends an important signal that perpetrators

of gross human rights violations will face consequences. However, we have an entirely different legal system, which merits a different approach.

I pay tribute to those hon. Members who have raised this issue by tabling new clause 1—in particular, my hon. Friend the Member for Esher and Walton (Mr Raab), the right hon. Members for Barking (Dame Margaret Hodge) and for Carshalton and Wallington (Tom Brake), and the hon. Member for Ross, Skye and Lochaber (Ian Blackford). I am grateful to hon. Members for giving me advance notice of the amendment, and am pleased to have had the opportunity to discuss it with many of its signatories.

It has always been the Government's position that for further legislation to be warranted on this issue, there would need to be a real case that existing powers were insufficient. I hope that hon. Members will agree that we should avoid doing anything that might have an impact on the effectiveness of our existing sanctions and civil recovery powers. The National Crime Agency has confirmed that it has considered all the material provided to it on the Magnitsky case. It concluded that the individuals whom we believe to be connected to the case do not reside in the UK, and it has identified no assets of value in the United Kingdom that are connected to the case, so the additional powers proposed in new clause 1 would have no obvious material effect on the individuals involved in this case.

Mr Jonathan Djanogly (Huntingdon) (Con): The point about the Magnitsky Act in the US is that it pulls together the visa ban, the ban on using American banks and the inability to trade there; the advantage is that it is all pulled together. I appreciate that the scenario is different in this country, but will the Minister please explain how he intends to pull the links together in this country, using the different pieces of existing legislation?

Mr Wallace: I am grateful to my hon. Friend for that point. I will get to that later in my speech, but we have to recognise this difference between the United States and the UK: here, most of our sanctions regimes are under the European Union umbrella. Of course, there will be time to discuss those sanctions, and the United Kingdom's post-Brexit arrangements, at a later date. When it comes to sanctions, we have slightly different dispersals of authority and power from the United States, which often can, and does, act entirely unilaterally in this area; we should point that out.

One problem with new clause 1 is that we think it would be non-compliant with our domestic human rights law, because it contains no derogations. It would freeze all the assets of a designated individual, so they would not have any funds for living expenses or medical treatment, or to pay for legal representation. The reversal of the burden of proof, so that it would be assumed that all assets owned by designated individuals were the proceeds of their unlawful conduct, would also be an unprecedented step. That is incongruous with the existing civil recovery regime and could be judged by the courts to be disproportionate.

However, we recognise the strength of feeling on this matter, and understand the deterrent effect that such an amendment would have on those who seek to profit from the gross abuse or violation of human rights overseas.

Tom Brake (Carshalton and Wallington) (LD): The Minister is clearly very well informed on this issue, and I know that he has had meetings on the subject. If assets connected to the case were identified in the UK—I know that there is a dispute with Bill Browder, who believes that there are such assets here—is the Minister confident that existing legislation or his new clause 7 would enable them to be frozen?

Mr Wallace: I am grateful to the right hon. Gentleman for his point. I have to respect the boundaries of our law enforcement agencies. As a Minister, I cannot direct them to take action; they have an operational freedom and independence that we value greatly in this country. They have said to me that should actionable evidence be presented to them, they would be free to follow that up and enforce the law. Speaking as the Minister, where actionable evidence of gross human rights abuses or other criminal offences is presented, of course we would like to see action taken. This is not about trying to shelter people who have been involved in those offences; it is about trying to make sure that the appropriate action is taken when the correct evidence is presented. I absolutely concur with the right hon. Gentleman's point: it is important to understand that we need to act on the evidence. If there is evidence, we could take action, even without this legislation. I certainly urge our law enforcement agencies to take action to make sure that people are held to account for the atrocious murder in Russia of Mr Magnitsky.

We have tried to come some way towards meeting many of the concerns of hon. Members by tabling new clause 7 and the consequential amendments 58 and 59. They would widen the definition of “unlawful conduct” in part 5 of the Proceeds of Crime Act 2002 to include torture or

“the cruel, inhuman or degrading treatment”

of those exposing corruption, or obtaining, exercising, defending or promoting human rights, including in cases where that conduct was not an offence in the jurisdiction in which it took place. That would allow any assets held in the UK that were deemed to be the proceeds of such activity to be recovered under the provisions in part 5.

Chris Bryant (Rhondda) (Lab): The Government's new clause 7 contains no duty on the Government to act at all; they can simply ignore the provisions. That is one of the key differences between new clause 7 and new clause 1, tabled by the hon. Member for Esher and Walton (Mr Raab).

1 pm

Mr Wallace: The hon. Gentleman talks about duty, but there are lots of criminal offences on the statute books on which the Government do not have a duty to act. We leave it to the interpretation and freedom of our law enforcement agencies to act. Are we to say that the duty in this case is greater than the duty on the police to act on burglary or on a whole range of other criminal offences? The fundamental issue is that the hon. Gentleman wants to put a duty on the Government for one specific type of criminal offence, which would, I am afraid, hinder the freedom of our law enforcement agencies to take the appropriate action when the evidence was presented to them.

Chris Bryant: But in the Government's new clause, as opposed to new clause 1, there is no provision for third parties to bring a case to the courts to allow the seizure of assets, so, yet again, the Government are closing off the options for tackling money laundering in London and the UK.

Mr Wallace: I am afraid we are not. The National Crime Agency, the Serious Fraud Office and Her Majesty's Revenue and Customs are not full of people who do not want to do their job. They want to enforce the law: they want to go out and catch the criminals and stop money laundering. It is slightly insulting to imply that if we did not put a duty on them, they would not do it. They would do it. The problem with new clause 1 is that it would allow non-governmental organisations and individuals—it does not define whether those NGOs or individuals are foreign or from the UK—to go to the court, with limited liability, to force the Government to take action, without a high threshold at all.

For example, under new clause 1 a Cuban exile living in Florida who does not like the rapprochement with the Cuban Government could come to our courts to allege human rights abuse and make an application against the Cuban ambassador's assets in this country, and actually confiscate or freeze those assets. It would not only preclude us from making peace or moving on with some countries, but would allow massive amounts of vexatious claims based on gimmick politics. That is why we have to respect the professionalism and independence of our law enforcement agencies and allow them to make the case based on the evidence presented to them.

Chris Bryant: That is simply not the case. For example, we already regularly have lots of vexatious applications from Russia for the extradition of Russians who are now resident in the United Kingdom, but the court decides. New clause 1 would not allow an individual to decide that somebody's assets must be frozen; a court would decide.

Mr Wallace: First, the hon. Gentleman misses the point that courts do not like vexatious complaints. They do not like time-wasting applications with what would be in the case of new clause 1 limited liability for those people who want to use the court's time to make a statement. Secondly, applications for deportation are often made by the state. The hon. Gentleman would open it up to individuals all over the world to come to our courts, without liability, to make the case for or to make a gesture out of freezing individuals' assets, without any recourse to the state or even necessarily to evidence. That would open up a whole can of worms for countries around the world.

I shall give another example. We have sponsored and supported the peace deal in Colombia. Should the Colombian Government at some stage choose to send somebody with a background in the FARC to represent them or to be a cultural attaché in their embassy or something, and somebody in Colombia does not like that, under new clause 1 they could, as an individual, come to a court here and make a tokenistic application. The judiciary might throw it out, but there is capped liability, so the court's time could be wasted writ large by lots of people making statements and blocking the courts.

Mr Djanogly: Have the Government considered whether any application should go first to the Attorney General before being allowed to proceed? That might stop the abuse that the Minister is suggesting.

Mr Wallace: We did consider that in consultation with the office of the Attorney General and the Solicitor General, but it was felt that there was not the appropriate need for that, so we progressed with new clause 7 as it is drafted. We should remember that we are putting on the statute book a new power to take action based on gross human rights abuse, torture and degrading treatment. We have not done that before and it is a major step. It is a major signal to countries around the world that if evidence is presented, we could interdict with their assets. That sends the powerful message that London and the United Kingdom are not bases for them to put their assets or ill-gotten gains from such behaviour.

Sir Eric Pickles (Brentwood and Ongar) (Con): Surely that is the substantive point. The concern would be that we would get not only vexatious complaints, but complaints designed for publicity, in the almost certain knowledge that such complaints would not be seen through by the courts and there would be virtually no cost to the people making the complaint. New clause 7 provides the opportunity to nab the guilty, and it says to people that bloodstained dictators have no place putting their money in this country.

Mr Wallace: My right hon. Friend is absolutely right that it sends a message, but it also respects the independence of our law enforcement agencies so that they can apply the law and take action when they are presented with evidence, which will ensure that the courts' time is not wasted and that we get successful results when we deal with these individuals. It will also ensure that it is done in a way such that the Executive retains the initiative to carry out the process and prevent vexatious complaints. Judges will tell us that they do not want their courtrooms to become public relations arenas in which people can make vexatious applications; they want their courts to be able to decide on the basis of evidence. Under new clause 7, they will be able to do that, but we respect the operational independence of our law enforcement agencies.

All that explains why we tabled the new clause. As I have said, it would allow any assets held in the UK that were deemed to be the proceeds of the activities I outlined to be recovered under the provisions in part 5. Of course, any civil recovery would be subject to all the existing processes and legal safeguards in the Proceeds of Crime Act 2002. The court would need to be satisfied, on the balance of probabilities, that the property in question was the proceeds of crime, or was likely to be used to fund further criminal activity. Law enforcement agencies would, as ever, need to consider which of their powers to utilise on a case-by-case basis.

I hope Members will agree that the new clause would send a clear statement that the UK will not stand by and allow those who have committed gross abuses or violations around the world to launder their money here. I have been the Minister in charge of the Bill from the beginning, and when colleagues from either side of the House have tabled amendments, I have asked my officials, "Do they have a point?" I have asked my officials about the evidence set against Mr Magnitsky's

killers and to find out whether we have actually done the work we say we are doing. I make sure; I do not just take things at face value. It is important to say that I am confident that we have not taken action in this case because we have not yet had the evidence to do so or the assets have not been located in the right place. I have checked that out and verified it.

I have come to the House today with an attempt to put a compromise in statute—to put gross human rights abuse on record for the first time. I hope we can send the right message to the regimes, criminals and individuals around the world, while at the same time respecting the law enforcement agencies so that they can carry out their job unhindered by political interference, or by third-party groups or anyone else who might want to use publicity rather than actual evidence to further their cause. That is really important. I shall pause my comments there and wait to hear from other Members, and then respond at the end of the debate.

Richard Arkless (Dumfries and Galloway) (SNP): It is not fair for us to live in a world in which criminals are free to generate cash and spend it without fear of repercussion. Given what I have learned during the progress of the Bill, I think all Members on both sides of the House would agree with that sentiment. There simply must be a level playing field for the vast majority in society who chose to play by the rules.

Until now, provisions on financial crime have been focused on anti-money laundering regulations and proceeds of crime legislation, which have been specifically geared towards dealing with the proceeds of drug traffickers and bank robbers. In many senses, it has worked. It is not as easy to launder money in 2017 as it used to be, although, sadly, it is not impossible. It used to be the perception of criminals that if they could evade capture and not flash the cash, they could eventually spend their ill-gotten gains. In many cases, criminals looked forward to spending the gains when they were released.

Thankfully, the world has moved on, and this Bill is an attempt to move us another step ahead of the criminals, so that we as a society are fit to attack the finances of criminals in 2017 and beyond. We cannot buy into the rule of law unless we can agree to the evolution of regulations surrounding the financial industry that has happened over the years. Today, we face the threat of grand corruption, particularly in relation to politically exposed people, which is facilitated for the most part—perhaps unwittingly—by the City of London.

Last year, *The Guardian* revealed, through the Panama papers, how a powerful member of Gaddafi's inner circle had built a multi-million pound portfolio of boutique hotels in Scotland and luxury homes in Mayfair, Marylebone and Hampstead in London. He was head of Libya's infrastructure fund for a decade and has been accused by Government prosecutors in Tripoli of plundering money intended for schools, hospitals and infrastructure projects.

Scottish police have confirmed that they are investigating the matter. Libya has made a request for an asset freeze, but, as far as I understand it, the freeze has not been implemented. With the powers contained in the Bill, we could have dealt with such an injustice much more swiftly, so, in general terms, we welcome its provisions. However, as I intimated earlier in this process, our issue

is not with what is in the Bill, but with what is not in the Bill. None the less, that list has narrowed as this process has continued.

The Bill does not satisfactorily address corporate economic crime—which we will discuss in the third group of new clauses, which includes proposals on Scottish limited partnerships, on which my hon. Friend the Member for Kirkcaldy and Cowdenbeath (Roger Mullin) has done so much to campaign—and the real facilitator of criminal finances: the profit-seeking, responsibility-shedding and self-serving banking culture that we have in the UK and the wider western world. Until we challenge the attitude of the banks that house these moneys, we will never absolutely deal with the criminality. The Bill attempts to deal with the symptoms of the criminality—getting at the assets and seizing them—but it does not deal with the facilitators, the banks, which is a great shame.

New clauses 1 and 7 have been touched on by the Minister, and much of the talk has been about the scope for applicants to bring an application under these provisions. In general terms, those new clauses seek to extend the scope of unlawful conduct. That makes sense in that a public official—or someone acting with the consent or acquiescence of a public official—who is depositing funds in the UK should not be safe on account of that criminality having occurred abroad. I think that most people would agree with that sentiment; it is a sensible and logical step, and one that we support in principle.

The protection of human rights is a profoundly good thing. Violations of human rights should not be allowed to remain hidden behind international borders—they should be there for the world to see—and the consequences of such violations should be global consequences. With the adoption of either new clause 1 or new clause 7, the UK will no longer be a hiding place in that respect, and that is worth lauding.

What are the differences between the new clauses? As has been suggested, there is wider scope for more applicants to make applications under new clause 1. The Government say that that is not necessary, as the judiciary would vet those claims; it would be up to the court, not the applicant, to decide their merits. One other difference is that the ambit of new clause 1 is wider with regard to potential respondents, as it includes more people connected to criminality. Will the Minister touch on the scope of respondents as well as the scope of applicants and the differences between new clauses 1 and 7?

Furthermore, new clause 7 contains a provision, which is mirrored in amendments 58 and 59, to set the limitation period for actions under unlawful conduct to 20 years. In one sense, we welcome that, because without it the standard limitation periods of five and six years would apply. However, given that we are talking about gross violations of human rights—torture and the like—should a perpetrator ever be free from those crimes? Are we saying that, 20 years after someone has committed a gross violation of human rights, their money should be safe? Given that some of these abuses take years to come to light, are there unintended consequences that could let some of the criminals off the hook?

1.15 pm

I have a number of other simple questions for the Minister. Under new clause 7, is a mere suspicion of the acts that constitute gross violation enough? It seems to

me that a conviction in either jurisdiction would not be necessary, but would suspicion be enough, and how does he see that playing out? If he is not minded to accept new clause 1, will he explain specifically why new clause 7 is better for the applicant and the potential respondent? I would be grateful if he picked up on the point of limitation as well, but I have a lot more points to make on the next two groups.

Mr Dominic Raab (Esher and Walton) (Con): I rise to speak to new clause 1, which is known as the Magnitsky amendment, and to touch on the Government's new clause 7 in the process.

New clause 1 was tabled by me, the right hon. Member for Barking (Dame Margaret Hodge) and 50 hon. Members representing eight different political parties across the House. That is testimony to the cross-party nature of our ambition, which was kindled by the tragic murder, on the instructions of the Russian state, of the young Russian lawyer, Sergei Magnitsky. In November 2008, Magnitsky was arrested and detained. His crime was to identify the perpetrators of the biggest tax fraud in Russian history, which was committed by the Russian Government against the investment firm, Hermitage Capital, that employed Magnitsky and against the Russian taxpayer to the tune of a mind-boggling \$230 million.

For his courage, Sergei Magnitsky was jailed and tortured for almost a year, and then ultimately murdered. The crime was perpetrated by some of the very officials whom Magnitsky had identified. Although those appalling crimes were documented by two Russian investigations, no one has ever been brought to justice in Russia. Perversely, it was Magnitsky who was convicted, posthumously, of fraud—a sickening snapshot of the corrupt and venal state of the Russian justice system today.

Large amounts of the stolen money were subsequently laundered out of Russia, and Hermitage Capital submitted to all the relevant UK authorities detailed evidence of \$30 million that was sent to the UK between 2008 and 2012, including to firms run or owned by the Russian mafia. Despite receiving that evidence, the Metropolitan police, the Serious Organised Crime Agency, the Serious Fraud Office, HMRC and the National Crime Agency have never opened a single investigation. Notwithstanding the Minister's comments, this case also shines a light on the weaknesses of our own justice system, which is what we are here to address today. We should be clear in this House that, although Magnitsky has been the standard-bearing case for reform, it is by no means an isolated case. According to the Home Affairs Committee's 2016 report on the proceeds of crime, an astonishing £100 billion is laundered through UK banks alone each year, and we know from the NCA that only around 0.2% of that figure is currently frozen.

No one wants Britain to be a competitive global hub that attracts investment and is open to international talent more than I do, but I also want us to be known the world over for our integrity, our commitment to the rule of law and our adherence to the most basic of moral principles. We therefore have to stop turning a blind eye to the blood money of butchers and despots that, frankly, flows all too freely through some UK businesses, banks and property. New clause 1 is designed to address the weaknesses in the current UK asset-freezing regime. I pay tribute to Jonathan Fisher QC, the expert

[Mr Dominic Raab]

in this field—one of the leading experts in public law and human rights law—who carefully helped us to craft the mechanism.

New clause 1 would enable the Secretary of State, an individual or a non-governmental organisation to convince the High Court to make an order to empower the UK authorities to freeze assets where it can be demonstrated, on the balance of probabilities, to a senior judge that those assets relate to an individual involved in, or profiting from, gross human rights abuses. The clause would put a duty on the Secretary of State to pursue such an order when there is sufficient evidence and when it is in the public interest to do so—there is a measure of flexibility—and would establish a public register of those who are subject to such orders, all against the backdrop of appropriate safeguards and due process in law.

The Government have responded with their own proposal, new clause 7. In fairness, it is only right and proper to pay tribute to the Security Minister and the Foreign Secretary for engaging so seriously with the issue and, ultimately, for being willing to act. New clause 7 would, indeed, mark a significant step forward, principally because it would provide specific statutory grounds for an asset-freezing order based on gross human rights abuses and would target individuals responsible for, or profiting from, such crimes against whistleblowers and defenders of human rights abroad.

My view is that new clause 7 is not as robust as new clause 1, mainly because it does not impose a duty on UK law enforcement agencies to act subject to the flexibility I described, and it omits the third-party application procedure and removes the public register. In each of those three cases, I understand and recognise the Minister's reasons why that is the Government's position—it is probably to be expected—and I do not want to let the best be the enemy of the good, but I retain at least a measure of underlying concern. My concern touches on something that is so often the case with criminal justice legislation: the extent to which the new power will be enforced in practice. The hon. Member for Rhondda (Chris Bryant) touched on that, and the concern is probably shared across the House.

If I may be so bold, I would like to elicit some further reassurances from the Minister—which he may feel free to indicate during my speech or his winding-up speech—on the issue of enforcement. First, will he commit to the Government to collecting data on the exercise of the new clause, say, annually, so that the House and the public can properly scrutinise the extent to which it is being exercised in practice? I recognise and understand the Minister's point that the success of the clause should not be judged only by how many times it is exercised but by its deterrent effect, but I still think that would be a valuable source of reassurance.

Mr Wallace: I am delighted to tell my hon. Friend that I will commit to collecting those stats and ensuring that they are published annually alongside other stats on the proceeds of crime.

Mr Raab: I thank the Minister for such an immediate, swift and decisive acceptance and provision of assurance. That would be extremely useful. There is only one other

aspect on which it would be useful to have some reassurance. I understand that there is a wider ongoing review of UK-wide asset-freezing powers. I can well appreciate why the Government may be reticent about reinventing a bespoke procedural mechanism for one new power, given its relationship with other wider proposals that may be forthcoming, but I hope that the Minister will undertake to factor the proposals made in new clause 1 into the review process and to ensure that any future new proposals on enforcement include the most robust and rigorous mechanism available under UK law applying to new clause 7. If the Minister can give that assurance on top of the one he has just given, I am inclined to accept new clause 7 and to not press new clause 1, heartened by the Government's commitment to strive to make the new power work as effectively as possible in practice.

For those of us who have campaigned for change, there remains the further issue of visa bans, but that is for another day. Today, the House has the opportunity to lay down some moral red lines in UK foreign policy and to take a lead in denying safe haven to the dirty money of those profiting from the most appalling of international crimes.

Mr Djanogly: My hon. Friend says that visa bans are for another day, but of course visa bans already exist as a possibility. Would it not be helpful to know how the existing visa ban system will complement the new proposal?

Mr Raab: My hon. Friend is absolutely right. We will need a separate legislative vehicle to address the wider question of visa bans, but he makes his point and has been tenacious in powerfully campaigning for this. We will want to move on to that issue at the appropriate time. Today is really about the asset-freezing side of things. We have in this last analysis the opportunity to send a message of solidarity to those who are fighting for the liberty that we in this country hold so dear. We have the opportunity to nurture the flame of freedom on behalf of those brave souls, such as Sergei Magnitsky, who suffered the very worst crimes when standing up for the very highest principles.

Dr Rupa Huq (Ealing Central and Acton) (Lab): As I rise to speak to this group of amendments, it looks as though new clause 1 might not be moved in favour of Government new clause 7. The Minister started by saying that the Bill has so far enjoyed a degree of cross-party consensus in its parliamentary passage, so I would like to say that Her Majesty's loyal Opposition will not stand in the way of new clause 7 and will not stand in the way of new clause 1 if it is moved.

I welcome new clauses targeting asset seizure for those guilty of human rights abuses outside Britain who seek to use the UK to conceal their wealth. New clause 1 has become known colloquially as the Magnitsky amendment, and we have heard some of the tragic details of that case. It would bolster the Bill's aim to tackle the growing concern about money laundering, terrorist financing and corruption. The International Monetary Fund and the World Bank estimate that the annual loss through money laundered globally is between 2% to 5% of global GDP—a staggering \$800 billion to \$2 trillion. We do not know the true figures because this is all hidden, white-collar crime.

It is estimated that serious and organised crime on our own doorstep costs the UK economy at least £24 billion annually. The amount of money laundered here every year is between £36 billion and £90 billion. That is a loss to our Exchequer, so it is only right that we tighten up the legislation with this Bill, and such an amendment would tighten them up further. Quite simply, those who have blood on their hands from the worst human rights abuses should not be able to funnel their dirty money through our country. In a recent article in *The New York Times*, the journalist Ben Judah uses quite colourful language to attest:

“Just because there aren’t bodies on the streets of London doesn’t mean London isn’t abetting those who pile them up elsewhere. The British establishment has long feigned ignorance of the business, but the London Laundromat is destroying the country’s reputation.”

Under new clause 1, the names of individuals who have been involved in or profited from human rights abuses would be published, and Ministers would be obliged to apply for a freezing order of up to two years if they are presented with compelling evidence of abuse and it is in the public interest to do so. That would make dictators and despots think twice about using the UK as a safe place to stash their dirty cash. By creating personal costs for the perpetrators of human rights abuses, we can protect whistleblowers around the world, which would be a fitting tribute to the legacy of Sergei Magnitsky.

Mr Djanogly: I am pleased to be given the opportunity to speak to this significant legislation, which will certainly help the overall objective of stopping the UK being used as a safe harbour for illegal proceeds, as it currently is all too frequently.

1.30 pm

Like Sergei Magnitsky, I practised as a corporate lawyer, and I have asked myself whether, in his situation in Russia, uncovering the largest tax fraud, I would have risked reporting it to the authorities. Would I then have refused to withdraw my statement, while being imprisoned, beaten and denied medical help—and, indeed, while being abused by the very perpetrators of the crime I had blown the whistle on? All this was happening with the backing and connivance of politicians, judges, tax authorities, prosecutors and police—all the people who are meant to be there to keep us, the honest citizens, safe. I would like to think that I would stand up for what is right, but I appreciate that it is easier for me to say that living here in the UK under the rule of law, rather than in the vicious, pernicious kleptocracy that modern Russia has become and that did for Sergei Magnitsky.

New clause 1, to which I have added my name, and Government new clause 7 deal with individuals who have directly or indirectly committed gross human rights abuses overseas against whistleblowers or defenders of human rights. Of course, these provisions do not stop with Magnitsky, or, indeed, Russia, and not all Russians are bad people, but Russia is as good an example as any to show how the new clauses, in different ways, address a glaring omission in our laws—an omission that has, for too long, allowed the perpetrators of vicious crimes against humanity to then happily base themselves and

their ill-gotten gains in the UK as though nothing had happened, under the unwritten law that they do nothing illegal while in the UK.

While the new clauses deal with individuals’ actions, these people will almost invariably come from countries where the crimes of the person are mixed up with crimes of the state. Russia operates a repressive, nasty society where human rights are often ignored, where the media are suppressed and journalists are killed, where democratic opposition is ruthlessly suppressed and where even businessmen have a glass ceiling beyond which they are told who to pay and how to toe the line. Russia has an undiversified, oil-reliant, poor economy and a political system controlled by a dictator, who, like most dictators, looks to address his failures at home with wins through threats and wars abroad. Georgia and Ukraine are therefore partially occupied, and the west faces espionage, cyber-attacks and so on—and all this from a country with an economy smaller than that of Italy.

How do Putin and his gang get away with it? At least with communism there was belief, an ideology and a *raison d’être*, however misguided. Now, there is no belief in anything, except one thing: money. Modern Russia is a kleptocracy, with small numbers of very rich people making the decisions and bound together through their thieves’ honour. However, I have heard many experts say that if the thieves collectively thought that President Putin was not going to let them keep their money overseas, he would not last very long. That is one good reason to follow the black money through to the UK and to seize it. In other words, by not acting in the UK against the thieves and torturers, we are indirectly bolstering many of the worst regimes in the world.

The other point is that thieves rarely steal for the sake of it; they steal because they wish to enjoy the benefits of their ill-gotten gains. But where should they spend it, and how should they keep it safe until they do? That is the challenge. The best place, obviously, is somewhere like the UK, where the rule of law and property rights are sacrosanct. That is why, as the Home Affairs Committee pointed out, £100 billion of black money is being laundered in the UK every year. It is why Russian and other human rights abusers’ black money has been pouring into London property, Bond Street shops, country estates and prized British education.

I recently went on a parliamentary trip to Hong Kong and heard—I have to say, unofficially—that after the recent Beijing corruption crackdown, the takings of the Hong Kong couture and jewellery shops were reduced by up to 60%. As a result, Hong Kong commercial and residential property prices have also stopped rocketing.

Likewise, many criminals coming to London will be happy to pay top property prices if they feel their money is, say, 80% less likely to be confiscated in London than in their home countries, should they fall out of favour with the powers that be. Even with higher stamp duty and the annual company overseas tax—the annual residential property tax—the security of anonymously owning property in London in an offshore company can be worth paying the taxes for.

But the question is: do we want that kind of money here? In other words, we as a country have a decision to make: do we value the tax revenue and work coming via black money more than dealing with the human rights abuses and/or illegality it is connected with? I would

suggest not. As we prepare to leave the EU, this issue will only become more relevant, as we necessarily attempt to negotiate free trade agreements and cosy up to all sorts of regimes around the world.

We need to set a marker, and new clause 1 provides the mechanics for action. Moreover, it makes a statement against the rotten values of torturers and other criminals who might see us as an easy drop-off point for their assets. That this new clause has been initiated by my hon. Friend the Member for Esher and Walton (Mr Raab), and that the Home Secretary's new clause 7 recognises that it raises an important issue—albeit one to be addressed in a more narrow way—is highly commendable, and I do want to put on record my congratulations to the Security Minister and his Department for listening to the case and coming forward with a meaningful compromise, but further questions arise.

Government new clause 7, of course, falls way short of the US Magnitsky Act, which has a specific list of undesirables attached. Furthermore, the Government clearly wish to keep for themselves the choice of whom to prosecute and asset-seize. I am minded to go along with that, given that many, if not most, seizures would have political implications, and I doubt such things should be left to non-governmental organisations, for instance, to prosecute. However, I would be happy with the proposed powers only if I were given comfort that the Government intend actually to use them once the Bill is passed.

On the question of a list, we are missing a trick here. One of the strongest aspects of the US Magnitsky list is that hundreds of thousands of people have seen exactly who is blamed and for what. Indeed, I note that the US Treasury's Office of Foreign Assets Control updated the list only last month. If we search-engine the US Magnitsky Act, we see each of the sanctioned individuals and their job titles. Naming and shaming is a huge negative issue for human rights abusers who wish to live in the security of criminal darkness. It is also a strong deterrent to others who might consider such abuse. Has the Minister considered publishing lists of those who will be prosecuted under these provisions? I am not sure whether that would be included in the stats he said he would be publishing, so a bit of clarification would be helpful.

My reading of new clause 1 is that it is more like the US Magnitsky Act, and that it looks not only to seize assets but to stop the undesirables travelling to the UK, trading in the UK, using UK banks and buying UK property. Could the Minister say whether such issues would be dealt with through new clause 7 or perhaps through other legislation that could be used at the same time?

Mr Wallace: Perhaps I can inform my hon. Friend and the rest of the House on the visa issue. We can refuse a visa to a person who does not meet the immigration rules. Evidence that a person has been involved in organised crime or in human rights abuses or violations would be taken into account when considering a visa application. We can already do that; the power is there with the Government, and we have exercised it in the past.

Mr Djanogly: I am grateful for the Minister's clarification. It would be helpful if he could say that it is the Government's position that, when a prosecution is taken under these new provisions, the court should consider a visa exclusion automatically and not as a possible add-on.

Clearly, if the sanctioned person had his or her assets confiscated but could then go on to buy more assets or to conduct business in the UK, new clause 7 may lack the required teeth.

New clause 7(5) refers to proceedings needing to be brought within 20 years, which seems like a short period in any event. Furthermore, it looks to be 20 years from the commission of the gross human rights abuse. Why is it not from the end of the abuse? In other words, if someone has been abused for 20 years plus one day, would the right to prosecute the abuser fail?

Would the court be required to connect the human rights abuse to the assets being seized? For instance, where the individual is accused of organising the torture of three people but steals from only one of the three and then moves the stolen goods into the UK, would the seizure have to be tied to the one incidence of torture that relates to the stolen goods?

My final question is this: after the legislation is put in place, do the Government actually intend to act? Many foreign nationals—not least Russians—really want to live here, rather than in, say, the US, so we have significant influence in setting the standards of civilised behaviour we expect from people who live or stay here. I ask the Minister, as I think my hon. Friend the Member for Esher and Walton did, whether we are now going to say to those who have been merciless in their own countries and who then look to store their ill-gotten gains in the UK, “We do not want you here. We do not want your money here”, and, importantly, “If you do come here, we will act.” If that is the Minister's position—I think he said it was, but perhaps he could clarify that—I am minded to support Government new clause 7 rather than new clause 1.

Chris Bryant: I want to pay tribute to two people, the first of whom is the Minister for introducing this Bill. I think we all accept, in all parts of the House, that the corrupt money that swishes around in the British financial system is part of a type of crime and corruption across the whole world. Unfortunately, it also has a very detrimental effect on the housing market in the UK in that large numbers of houses are bought not to live in but as an investment vehicle and a means of laundering money. While some of those properties are at the high end of the market and there might be no effect on the majority of our constituents, in some cases these people have been buying property portfolios all the way down the housing market—and by increasing the value of the top end of the market they are affecting the whole market. If we want to get serious about the housing market in this country, we have to tackle the issue of corrupt money in the British system coming from overseas. I welcome the main provisions of the Bill. I applaud the Minister for trying to get some way towards a provision that might be termed the Magnitsky clause, as he suggests in his new clause 7.

I also pay tribute to the hon. Member for Esher and Walton (Mr Raab). He and I have had very many conversations on this subject for a long time, but we still have not managed to decide how to say the name “Sergei”. One of the most depressing things to add to the long list that he outlined is that Sergei Magnitsky was prosecuted posthumously, which must be a new low in putting two fingers up to the normal standards of criminal prosecution around the world.

I am absolutely certain that significant numbers of the people who are prohibited from entering the United States of America under the Magnitsky list have entered the United Kingdom since his death. That is why the Minister really needs to think again about visa bans. I do look to the United States of America in this regard. Several hon. Members, including the hon. Member for Huntingdon (Mr Djanogly), have already said that the United States of America has gone much further than we have. The Minister tried to argue that the Americans have a very different legal system. Yes, they do, but it is based on the same fundamental principles as ours and, I would have thought, on the same values as ours. That is why we ought to be going at least as far as the United States of America. When the Commons debated this on 13 December 2010, the motion stating that we should proceed with a Magnitsky Act was carried unanimously. The Minister at the time, who is a thoroughly charming chap, said that we had to wait to see what the United States of America does. Well, I think we have all decided that we are not going to wait to see what the United States of America does on anything at the moment, and we might choose to set our own path in relation to these matters. I sometimes feel as though the UK is dragging its heels on this issue.

Sergei Magnitsky was killed just before 2010, when I was Minister for Europe in the Foreign Office, and most of the debate about this has happened since then. My personal perception was that both David Cameron and President Obama were very reluctant to show a strong arm to Russia because they thought that by pressing the reset button—this was Obama's view—we would somehow manage to get major concessions out of Putin. That has not proved to be an effective strategy. In every single regard, Putin has simply taken those moments as a sign of weakness and proceeded to use force to a greater degree. On the day that David Cameron became leader of the Conservative party, the first thing he did was to go to Georgia to stand with the Georgians against Putin's invasion of that country. Yet there are still Russian troops in Georgia, and since then we have had the issues in Ukraine.

There is now clear evidence of direct Russian corrupt involvement in elections in France, in Germany, in the United States of America, and, I would argue, in this country. Many believe that some of the highest-level decisions affecting security in the United Kingdom, in Germany, in France and in the United States of America are now compromised by Russian infiltration. The murder of Sergei Magnitsky and his then being posthumously put on trial shows that Russia is, in effect, a kleptocracy—a country ruled by people who have stolen from the people and used every means in their power to protect themselves and guard their position with jealousy. It is, in essence, the politics of jealousy writ large. I fear that this has infected the United Kingdom, and also one of our closest allies in Europe, Cyprus, where much Russian money is currently stored away corruptly and laundered illegally.

1.45 pm

A sign of the problem we face is that it is impossible to extradite anybody from Russia because Russia will not allow in its law—in its constitution—the extradition of any Russian national. We are therefore unable to prosecute in many of the cases that we are talking

about. I am still mystified about why the authorities in this country have failed to act in relation to any of the assets belonging to those in this country who were involved in the murder of Sergei Magnitsky and in the corruption that he unveiled. Many people have pointed to some £30 million-worth of such assets, none of which has yet been seized or frozen, while in 11 other countries around the world \$43 million-worth has been seized and frozen. It feels as though this country is reluctant to move on this, or has inadequate laws to be able to do so.

However, this Bill is necessary not only in relation to Magnitsky and to Russia. Rakhat Aliyev was reckoned to have some £147 million-worth of London property. He was the former secret police chief in Kazakhstan. He went on to have two tours of duty as ambassador to Austria and then to Austria, Macedonia, Serbia, and Slovenia. During the time that he did those jobs, he amassed an enormous fortune from areas such as banking, oil refinery, and telecommunications—virtually every form of state monopoly that he could manage to speculate from. He was the son-in-law of the former president Nazarbayev. He was charged with money laundering through the British Virgin Islands—another reason we need to take more concerted action. He was charged in Austria with the torture of two bodyguards and the murder of the opposition leader in Kazakhstan and of a Kazakh journalist. He committed suicide in 2015. Up until that moment, there was still no system in the United Kingdom that would have enabled us to tackle his financial assets in the United Kingdom and seek recovery of them. Indeed, there is now an issue about what we should do about those who have inherited those substantial assets. They would certainly not be covered by the Government's new clause but would be covered by the new clause tabled by the hon. Member for Esher and Walton. That is why I still support it, even if he is not going to press it to a vote.

The hon. Member for Dumfries and Galloway (Richard Arkless) referred to Libya, where there is a major issue because the transitional Libyan Government found that some \$10 billion had been peculated from the Libyan people, depriving schools, hospitals, and the whole of the Libyan state infrastructure under Colonel Gaddafi. A lot of that money has clearly come to the United Kingdom. Indeed, the Libyan authorities have been trying to pursue it here but have found it phenomenally difficult to do so. So far, as far as I am aware, the only asset that has yet been recovered is a £10 million townhouse.

The Minister suggested that the threshold in new clause 1 was too low and that it would be too easy for people to be able to bring prosecutions, meaning that it would fall foul of the Human Rights Act—incidentally, I hope that we are keeping the Human Rights Act. I would argue quite the reverse. In fact, as the hon. Member for Esher and Walton pointed out, this has to go to a senior judge in the High Court. It is not a case of someone simply turning up and saying, "I want to have this chap's assets frozen, please"—they have to make a proper argument. There is also the balance of probabilities, which is a standard evidential basis in most civil actions. It is true that new clause 1 places a duty on the Secretary of State to pursue such matters, but only where it is in the public interest so to do. There are plenty of cavils and protections against the abuse that the Minister seemed to suggest might otherwise apply.

There are significant differences between the two new clauses, as the hon. Member for Huntingdon mentioned. First, the Government's new clause applies only to abuses by public officials. The definition of public official in the UK is already established in statute law, and that is a significant limitation. Secondly, as I have said, there is no duty for the prosecuting authorities or the Government to initiate civil recovery proceedings at all. Third parties cannot apply under the Government's new clause, and there will be no public register of human rights abusers who are subject to recovery proceedings. There will be no designation orders, so it will be quite easy for people who think that they are about to be proceeded against to squirrel their assets away to another domain fairly quickly, because there is no system for freezing those assets before recovery proceedings can start.

The Government's new clause applies only to new degrading treatment or punishment after the commencement of the Act, rather than to events that have already taken place. As Members have already said, the Government's new clause will not apply to human rights abuses that happened more than 20 years ago. I hope that the Minister will respond to the point that was made by the hon. Member for Huntingdon about when the 20 years begins and ends.

It seems as though the Government still believe that they can somehow or other appease some of these people from around the world. They seem to want to pussyfoot around the issue. I just do not think that that meets the present danger and need, particularly in view of the risk to the financial propriety and reputation of this country. We cannot prosper if we allow bribery and corruption to flourish through the back door. We should be saying that none of these people, whether they are from Russia or from any other country, are welcome in the United Kingdom.

I have already said that I believe that many of those involved in the murder of Sergei Magnitsky and the corruption that he unveiled have visited the United Kingdom, notwithstanding the Minister's statement that such people can be refused a visa. That may be the case, but we cannot be certain that they have been excluded, and they cannot know that they are being excluded. It would be far more useful to be able to bring the two issues together with a visa ban and a proper Magnitsky Act like the one in the United States of America.

My final point is that we are, as I think the Minister said earlier, operating under a set of circumstances that exist because we are in the European Union. The Prime Minister has regularly said on her return from European Council meetings, "It has been great to be able to get tough sanctions against Russia imposed by the European Union." If we are the only country that has argued for tough sanctions in those meetings, it will be much more difficult for us to prosecute the foreign policy that we want, particularly in relation to Russia, when we are no longer there.

The hon. Member for Esher and Walton has a completely different view on that last point, but I hope that he—and the whole House—will agree that we have to find new mechanisms to enable us to ensure that we do not become the sink spot for international corruption and bribery, and for human rights abusers who want to abuse the rights and privileges of owning property and living in the United Kingdom.

Sir Eric Pickles: It is a great pleasure to follow the hon. Member for Rhondda (Chris Bryant). I agreed with much of what he said—some I did not, but we will put that to one side for a moment.

I congratulate my hon. Friend the Member for Esher and Walton (Mr Raab)—never forget Walton in his patch—because he has achieved enormous progress. When he started this process, I did not think that he had a chance of getting his measure through, but the Government have made quite an unusual concession, if the Minister does not mind my saying so. Usually concessions arise out of panic about defeat, but I do not think that there was any possibility of that. This concession is due to the power of my hon. Friend's arguments about righting a wrong and including in British law something that I think will make a difference. I am sure that the House is grateful for what he has done.

I stand before you, Madam Deputy Speaker, as the UK Government's champion on anti-corruption. When I was appointed by David Cameron, I came out to find that he had described me as the anti-corruption tsar. The *Daily Mirror* shortened that to corruption tsar, and I felt that that was one step too close to the Romanovs, so I am happy to use the word "champion".

In that capacity, I went to an Organisation for Security and Co-operation in Europe anti-corruption conference in Paris. One of the speakers talked about taking a lorry full of time-sensitive goods through customs and being asked for a private facilitation payment. They asked how many of the people present would make such a payment. To my amazement—and, I suspect, to the greater amazement of the person who asked the question—a good 60% of hands went up. I was proud to say that if that lorry driver had been British, not only would he have committed a crime, but he would have been prosecuted for it on his return to the UK and so would his company.

New clause 7 and the excellent new clause 1 have to be seen in that context. We have been gradually triangulating this crime. I am old enough to remember listening to a Minister—a Conservative Minister, I am ashamed to say—saying on the radio a number of years ago, "I want British companies to bribe. Everybody bribes, and I want Britain to be among those that do so." That was a ludicrous thing to say, but it was the kind of reaction that we got to the Bribery Act 2010. People said, "Everybody's doing it. All we are doing is putting British companies at peculiar risk." That has not been the case. Because of the Bribery Act, board members have put in place due diligence to ensure that they do not face that problem. That was part of the process of triangulating the crime, and I do not think that there has been any drop-off for British business. The new clauses have to be seen in the context of the call for consultation on economic crimes and the place of boards in relation to economic crimes. They should be seen in the context of transparency over beneficial ownership of property in this country by those who want to trade with the Government, and I hope to see something positive come out of that.

Given the degree of consensus that seems to be breaking out about the proposals, I will make a slightly shorter speech than I intended. New clause 7 should help us to deal with bloodstained dictators and those on the take in kleptocracies around the world. I entirely agree that a posthumous conviction for dishonesty and

theft is as ridiculous as the practice during the French revolution of putting animals on trial. We have to understand that there are parts of the world in which Governments and private business move hand in hand, and they make the Tudor court look like the epitome of puritan restraint. To those people, we are sending out a clear message that their assets will be seized and their lives interrupted, and that those who seek to buy expensive flats and jewellery will face a problem.

We have dealt with the worry about third parties making vexatious claims. I will not go over that again, but a further point needs to be emphasised. Non-governmental organisations, especially, often play an enormous part in getting prosecutions together and bringing evidence to the authorities. I have had the privilege, as I suspect the Minister has, of seeing how the Serious Fraud Office works. A lot of its cases are complex and take a lot of time, and there is a risk that if third parties were allowed to make applications, they might actively tip off those involved in an ongoing investigation. That is another compelling reason why states, and more particularly prosecution authorities, should bring such cases.

2 pm

I want to end by agreeing with my hon. Friend the Member for Huntingdon (Mr Djanogly), who made the powerful point that such provisions are pointless and useless unless there are prosecutions. I have had the honour of talking to various Governments around the world. They often show what marvellous laws they have and demonstrate how they are dealing with bribery, but we find that a large number of prosecutions are not made or seen through. When I was in one country, which I shall not name, and pressed its Government on this, they managed to say that a local government official was prosecuted for making a profit from taking away television aerials, yet the place was riddled with corruption. Unless the people at the top have their collars felt, the process will not be effective.

New clause 7, along with other new clauses and amendments, should make a difference, so I am pleased to support the Government. I end by again congratulating my hon. Friend the Member for Esher and Walton on seeing this through.

Tom Brake: I thank the hon. Member for Esher and Walton (Mr Raab) for putting together the proposal in new clause 1 and the Minister for responding positively. I have been in the House for long enough to know that Ministers rarely respond positively to approaches, even cross-party ones, so it is welcome that the Minister has taken on board the spirit of the proposal. I also pay tribute to Bill Browder—many Members in the Chamber will have met him—who has really led the charge on this issue. However, I am sure that Bill wants not a tribute but action.

I share some of the reservations of the hon. Member for Rhondda (Chris Bryant). In other countries, assets have been seized in relation to the Magnitsky case, but it seems that that is not so in London. Many Members would accept that London is a place where many Russians, sometimes of rather dubious backgrounds, like to put their assets, so it seems strange, while assets are being

seized almost everywhere else around the world in relation to this case, for London to be the one place where they have not been seized.

The Minister reassured us that the prosecuting authorities—of course he cannot put pressure on them, but he has confirmed this—would prosecute if there was evidence. I assure Bill Browder and others that they will have the support of the House if evidence—or further or more detailed evidence—is forthcoming, as the Minister for one endorsed the need for very firm action. He said that action might be taken under existing legislation, but that it could be taken even more effectively under Government new clause 7.

Like other Members, I would prefer new clause 1 to the Government's proposal, but I understand why the Minister preferred to table his own new clause. Unfortunately, I suspect that we would not have the numbers in the House to win a Division today on cross-party new clause 1. We will therefore have to follow the matter very closely, and I welcome the fact that the Minister will publish statistics.

Several hon. Members referred to the Magnitsky Act. If they want to see the list of names, they could read my early-day motion 1344—it has been signed by a number of Members—which lists Russian citizens subject to the Magnitsky Act in America. The hon. Member for Rhondda reminded me that I need to retable my early-day motion because, as he said, new names have been added to the American list. The information is there if Members need to refer to it.

I welcome the fact that the Government have moved on this issue, but the proof of the pudding will be in the eating. If evidence is forthcoming that such assets are in this country, in the way that Bill Browder and others believe is the case, the Government must ensure that those responsible are prosecuted and brought to justice for the gross human rights violations they have committed.

Mr Andrew Mitchell (Sutton Coldfield) (Con): I, as a signatory of new clause 1, can be very brief because my right hon. and hon. Friends, and indeed Opposition Members, have made the case with such eloquence on what is known as the Magnitsky amendment. It seems to me, as such a signatory, that the Government have listened. The Minister has quite rightly heard the cross-party voice on these issues and tabled new clause 7, and I certainly congratulate him on having achieved that.

My hon. Friend the Member for Esher and Walton (Mr Raab), who has done such a good job on this issue, pointed out, in accepting the Government new clause, that we must not allow the best to be the enemy of the good. The story that my right hon. Friend the Member for Brentwood and Ongar (Sir Eric Pickles), the anti-corruption tsar, told us about his Paris meeting reminds me of just how complex is the attack on corruption, of which we must all be a part.

I remember a very eminent New York anti-corruption lawyer, who had been involved in a variety of anti-corruption mechanisms, telling me that he was once invited to Afghanistan to give a lecture on how to tackle corruption, and a vast number of Afghan officials turned up in the auditorium. To his horror, observing the Rolex watches on the wrists of so many of those officials, he suddenly realised halfway through the lecture that they had turned up to learn not how to tackle corruption, but how to evade the tackling of corruption.

[Mr Andrew Mitchell]

Corruption is a cancer: it is insidious in a whole variety of ways. One of the good things about the Bill is that it seeks, in a very complex area, to make progress on some very clear aspects of the issue. The former Prime Minister, the former Chancellor of the Exchequer and other Government Members have also made a very big contribution in the fight to tackle corruption in this area.

I want to make two brief final points. The first is that in the Magnitsky case, as I think the Minister has recognised—I know Bill Browder and I was absolutely horrified to hear the tale of the experience he has undergone—it is clear that the British law enforcement agencies have shown, to put it no more strongly than this, a degree of confusion, delay and obfuscation in their handling of such matters. There are issues of administrative co-ordination and effectiveness, and I very much hope that the Minister ensures that tackling this issue remains clearly on his agenda.

My second and final point is that Britain needs to send a very clear signal about the approach we take to human rights abuses and money laundering. The failure to send a very clear signal—I hope that that will be ended by the decision the House will take this afternoon—damages our international relations. Britain's relations and dealings with Russia are very complex. We need to work with Russia on a number of matters on which we have a common interest, but we also need to be absolutely clear where we stand on the issues—my hon. Friend the Member for Huntingdon (Mr Djanogly) set them out so eloquently in his speech—so that there is no misunderstanding about where the British Government stand on many of the horrific aspects of Russian governance and conduct. I have been a strong critic in this House of Russian abuses of human rights and, indeed, of war crimes in Syria. Given the other dimension of areas on which we must be able to work constructively with Russia, it is extremely important that we in this House are absolutely clear with the Government about where we stand on human rights issues.

Mr Wallace: We have had a very important and well-informed debate. I am very grateful to colleagues for their contributions, in particular my hon. Friend the Member for Esher and Walton (Mr Raab). As Minister, I have done my best throughout the process to speak to as many colleagues as possible and to listen to their concerns. I have gone back to the law enforcement agencies and asked them tough questions. I cannot say whether my predecessors did that or not, but I take the view that our job as Ministers is to go beyond the briefing papers we all receive, test their resolve and send a very clear message. I have told the agencies that when the Bill is passed by Parliament and becomes an Act, we want to see prosecutions and we want the powers to be used. I will not interfere in how they choose to apply those powers, and I will not choose which powers they use to achieve the right effect.

The main aim is to ensure that we say loud and clear that we do not want money launderers in this country. We do not want organised criminals. We do not want those who abuse people through torture and inhumane treatment. We want to say, “You are not welcome in this country and nor is your dirty money. If you come to

this country, we will try to have you and we will certainly try to have your money. If we can return that money back to the regimes it has been stolen from, we shall do that.” We have already started that process by returning £27 million to Macau recently and signing a memorandum of understanding with Nigeria. If we can do that, we will. Both Government new clause 7 and new clause 1—there are many things I agree with in the spirit of new clause 1—say that loud and clear. I think that our new clause will help to achieve that in relation to the people who want to exploit laws around the world, whether through immunities, state sponsorship, state umbrella or tacit support.

I highlighted to my hon. Friend the Member for Esher and Walton that annual reporting will cover the use of this provision. The Government have already agreed, in our response to the Public Accounts Committee and the Home Affairs Committee, to publish a set of annual asset recovery statistics. As I made clear in Committee, it will cover the annual use of unexplained wealth orders. I am also pleased to commit today that it will include the use of this provision.

Mr Djanogly: Will it also include the names and titles of people from whom the assets have been taken?

Mr Wallace: I will have to check and get back to my hon. Friend, but any court action is a matter of public record. If someone is prosecuted under the Proceeds of Crime Act 2002 or has their assets frozen, that will become a matter of public record available to all—that is very important.

To reiterate the point about sanctions, the Government are undertaking an assessment of existing sanctions policy post-Brexit to ensure we can continue our proactive approach. It is right that any changes to our sanctions regime are considered in that context, rather than making changes at this point. We will of course continue a dialogue with parliamentary colleagues on this work, and I will absolutely ensure that the spirit of new clause 1, tabled by my hon. Friend the Member for Esher and Walton, is carried forward in those discussions. The time to do that, however, is not with this legislation; it is when an assessment is made post-Brexit to consider sanctions in the wider picture.

I want to talk about the duty of law enforcement agencies to use the powers. Part of the rule of law and the strength of our system, as opposed to perhaps some other regimes we have talked about today, is that our agencies are operationally independent. As a Minister, I do not sit behind a desk and use the agencies to pick on people or political rivals I do not like. We leave the agencies, as much as possible, to be operationally independent. That is a part of the balance and safeguards in our society.

Chris Bryant: But if the prosecuting authorities were, for a corrupt reason, to choose not to prosecute, there are powers, through the courts, to ensure that they do so.

2.15 pm

Mr Wallace: I am afraid I have too positive a view of the integrity of our law enforcement agencies to say—or even allude to the fact—that there could be some corrupt reason they may not use their powers. We all have

constituents who write to us and say, “I made a complaint to the police and they didn’t take any action.” Sometimes that is valid and we try to get a better result for them. Hon. Members who have met Bill Browder have brought their evidence to this House and made representations to the National Crime Agency. They cross-examined a National Crime Agency witness in Committee. However, we also have constituents who do not like the outcome of their complaint—that a crime has not been judged to have been committed. That is a disappointment they sometimes have to live with and it is our job as Members of Parliament to tell them, “I’m afraid it does not constitute a crime.” Sometimes the police have to make that case. Sometimes constituents may seek to deal with that by changing the law to create a crime that may be appropriate or up to date. However, it is important to respect operational independence, tempting as it may be sometimes to wish to reprioritise their priorities to suit the issue of the day.

Chris Bryant *rose—*

Mr Wallace: I really do have to press on. Hon. Members have made a considerable number of valid queries and I have a small book, handed to me from the Box, to get through.

The hon. Member for Dumfries and Galloway (Richard Arkless) raised a number of issues relating to the unlimited nature of retrospective offences. Torture is an offence where the UK applies universal jurisdiction. On that basis, the provisions are retrospective in so far as they relate to torture, even where it occurs prior to the enactment of the Bill. However, the Government new clause would cover conduct constituting cruel, inhumane and degrading treatment only after the Act comes into force.

We have already taken significant legal steps to suspend the requirement for dual criminality; that is, providing for civil recovery to be pursued against property not necessarily unlawfully obtained in the country in which the conduct took place. We think this is a suitably proportionate approach. We have already gone further than we do in some other areas. We can take action where the unlawful event took place when it was not in this country. That is something we have to balance.

The recovery of proceeds of crime is generally subject to a 20-year limitation period under the Limitation Act 1980. The hon. Members for Rhondda (Chris Bryant) and for Dumfries and Galloway asked about the timescale for claiming the proceeds of crime. Under POCA, it starts when the property is obtained through unlawful conduct. Under new clause 1 it seems to run from the date of the conduct itself, so that could possibly mean a shorter timescale than that under Government new clause 7. I reassure the hon. Member for Dumfries and Galloway that new clause 7 covers conduct linked to torture, such as: assisting it, directing it, facilitating it or profiting from it even when that linked conduct is not conducted by a public official. It therefore goes wider than some have feared.

We must also consider what evidence is needed to allow for assets to be recovered. Any civil recovery would be subject to all existing processes and legal safeguards in the Proceeds of Crime Act. The court would need to be satisfied, on the balance of probability, that the property in question was the proceeds of crime

or was likely to be used to fund further criminal activity. Law enforcement agencies would, as ever, need to consider which of their powers to utilise on a case-by-case basis. It would also apply to inherited wealth. That would not be excluded. Inherited wealth would be covered by the ability to recover assets, so I hope I can reassure the hon. Member for Rhondda on that point.

I reiterate to my hon. Friend the Member for Esher and Walton that the Government agree with the spirit of his new clause. We want to say loud and clear that organised criminals, crooks and corrupt individuals are not welcome in this country, and neither is their money. I was pleased to contribute to the implementation of the Bribery Act 2010, introduced by the last Labour Government, and its statutory guidance, under the previous Conservative Government. That is part of this whole package: the Bill comes alongside the Bribery Act and some other measures. I do not want London and the UK to be fuelled by dirty money, and I do not want people to be profiting from it. One of the best ways of making London and the UK open for business is through the rule of law—and, I would say, a competitive tax base. People should want to come to the UK for those reasons, not because they can hide or launder their money. It does not make us a better host for these individuals. I hope that the new powers in the Bill will help us tackle the problem, and I am keen to ensure that upon its enactment we start to deal with these individuals and get the money back to where it belongs.

There was little in the well-articulated speech of my hon. Friend the Member for Huntingdon (Mr Djanogly) that I did not agree with. He is absolutely right about sending a message. There are regimes around the world that deliberately take advantage of Britain’s openness, the quality of places to live and what we have to offer, and they need to be sent a message that we are serious and that they should go elsewhere—although we would like to catch them first and put them in prison, to be brutally honest.

I think I have clarified the point from the hon. Member for Rhondda about inherited wealth. On the worries about the London property market, I must add that it is not just nice townhouses in Knightsbridge being bought up, but huge portfolios up and down the country, and it does not just apply to overseas citizens either. For instance, other parts of the Bill deal with drug dealers, including those in my part of the world, in the north-west, the north-east and Northern Ireland, funnelling money into property.

As part of the Government’s work on the implementation of the fourth anti-money laundering directive, they have consulted on whether estate agents should carry out checks on the buyers of properties as well as the sellers. I was surprised, as I suspect were colleagues, to find out that currently they only carry out such checks on sellers. We intend to publish the response to the consultation “imminently”—that is what my note says—and I think that we will all be looking at it carefully.

The hon. Gentleman also asked about freezing orders and people quickly moving the money. Part 5 of the Proceeds of Crime Act 2002 provides for interim freezing orders, allowing for the freezing of property while the courts consider the case. I recognise that the Home Affairs Committee report on the proceeds of crime and the recovery of assets pointed out some valid problems in the system, however, and I have asked that the

[Mr Wallace]

Department set about being timely when making cases for the confiscation of funds and assets so that the gaps do not allow criminals and bad people to move the money beforehand.

The hon. Member for Rhondda and my right hon. Friend the Member for Brentwood and Ongar (Sir Eric Pickles), the anti-corruption tsar, will recognise that within Government we always have to satisfy the competing concerns of Departments. They will both know—the hon. Gentleman was a Foreign Office Minister and my right hon. Friend is a former Secretary of State for Communities and Local Government—of the competing interests within Government when it comes to legislating, and inevitably amendments have to walk a fine line between several challenging diplomatic and political issues, but I trust that the House agrees that the Government have taken a constructive approach. I have been determined to listen to colleagues and produce something that sends a strong message while also providing powers to allow us to act against people who abuse human rights.

I want to finish by congratulating my hon. Friend the Member for Esher and Walton on tabling new clause 1. It was important that we have this debate. He is a formidable campaigner and has successfully articulated the case and imbued the Bill with the spirit of his new clause. I hope that the House will support Government new clause 7.

Question put and agreed to.

New clause 7 accordingly read a Second time, and added to the Bill.

New Clause 8

HER MAJESTY'S REVENUE AND CUSTOMS: REMOVAL OF RESTRICTIONS

“(1) The following provisions, which impose restrictions on the exercise of certain powers conferred on officers of Revenue and Customs, are amended as follows.

(2) In section 23A of the Criminal Law (Consolidation) (Scotland) Act 1995 (investigation of offences by Her Majesty's Revenue and Customs), omit the following—

- (a) in subsection (2), the words “Subject to subsection (3) below,” and the words from “other than” to the end of the subsection;
- (b) subsection (3).

(3) In section 307 of the Criminal Procedure (Scotland) Act 1995 (interpretation), omit the following—

- (a) in subsection (1), in paragraph (ba) of the definition of “officer of law”, the words “subject to subsection (1A) below,”;
- (b) subsection (1A).

(4) In the Proceeds of Crime Act 2002 omit the following—

- (a) in section 289 (searches), subsections (5)(ba) and (5A);
- (b) in section 294 (seizure of cash), subsections (2A), (2B) and (2C);
- (c) section 375C (restriction on exercise of certain powers conferred on officers of Revenue and Customs);
- (d) section 408C (restriction on exercise of certain powers conferred on officers of Revenue and Customs).

(5) In the Finance Act 2007, in section 84 (sections 82 and 83: supplementary), omit subsection (3).”

This new clause, together with amendments 20, 25 and 28, removes restrictions on the exercise of certain powers by HMRC officers. The restrictions prevented the powers being exercised in relation to certain former Inland Revenue functions.—(Mr Wallace.)

Brought up, and read the First time.

Mr Wallace: I beg to move, That the clause be read a Second time.

Madam Deputy Speaker (Natascha Engel): With this it will be convenient to discuss the following:

New clause 5—*Unexplained Wealth Orders: award of costs*—

“In Chapter 2 of Part 8 of the Proceeds of Crime Act 2002, after section 362H insert—

‘362HB Unexplained Wealth Orders: award of costs

(1) Pursuant to Part 3 of the Civil Procedure Rules (The Court's Case Management Powers) the High Court must make a costs capping order, in respect of—

- (a) unexplained wealth orders under section 362A of this Act;
- (b) interim freezing orders under section 262I of this Act.

(2) The High Court shall not have power to make an award for costs on the indemnity basis against enforcement authorities who bring an unsuccessful application for—

- (a) unexplained wealth orders under section 362A of this Act;
- (b) interim freezing orders under section 262I of this Act.

(3) For the purposes of this section “enforcement agencies” has the same meaning as in subsection 362A(7).”

This new clause would prevent the courts from awarding uncapped costs on the indemnity basis against enforcement agencies where they have brought unsuccessful applications for unexplained wealth orders or interim freezing orders. It seeks to define such civil actions as within “exceptional circumstances” required for the purposes of Practice Direction 3F to Part 3 of the Civil Procedure Rules under which the court has the power to make a cost capping order.

Amendment 1, page 3, clause 1, leave out line 29.

This amendment would allow unexplained wealth orders to be issued to politically exposed persons in the United Kingdom and EEA States.

Government amendments 2 to 19.

Motion to transfer clause 12(3).

Government amendments 20 to 57 and 60 to 72.

Mr Wallace: We now come to a group of amendments relating to law enforcement investigative and recovery powers. It is primarily composed of Government amendments that I hope the House will agree are, for the most part, technical and uncontroversial. I therefore do not intend to linger on each of them, but I will quickly summarise the key amendments for the benefit of hon. Members.

New clause 8 and other consequential amendments remove the restriction on HMRC's criminal powers being used for former revenue functions. This ring fence arose following the merger of Her Majesty's Customs and Excise and the Inland Revenue in 2005. In the intervening period, legislative changes have brought most major taxes within the scope of HMRC's criminal justice powers, but there remain some anomalies. For example, investigators cannot use certain powers to fight stamp duty tax fraud. Fraud is a crime, regardless of which function of HMRC it is committed against, and the amendments will ensure that the necessary powers are available in all such cases. They do not provide HMRC with any new criminal justice powers.

Amendments 2 to 15, 70 and 71 relate to the power in clause 9 to allow an extension of the moratorium period in which law enforcement agencies can investigate a

suspicious activity report before a transaction is allowed to proceed. These amendments will deliver a number of minor and technical improvements to this provision: they will allow an automatic extension to the moratorium period while a court hearing is awaited to make a decision on an application; they will help to ensure that a company does not provide any information to the customer whose transaction is subject to a suspicious activity report, other than the fact that an SAR has been made; they will allow immigration officers to apply for an extension; and they will allow for an explicit right of appeal in Northern Ireland.

The majority of the remaining amendments in this group—amendments 22 to 24, 26, 27, 29 to 38, 46, 47, 49 to 57, 60 to 69 and 72—clarify the operation of the seizure and forfeiture powers that the Bill adds to the Proceeds of Crime Act 2002 and the Anti-terrorism, Crime and Security Act 2001. Many of these changes are extremely technical in nature, but I will highlight a few of the more significant ones. They will allow the director general of the National Crime Agency to designate the level of senior officer that can authorise the use of certain powers—unlike in the police, no such designation currently exists in law. They will ensure that any interest accrued on forfeited funds while in the agency's account is returned to the owner of the funds if that person successfully appeals against the forfeiture. They provide that, where the NCA has used the powers, and a court determines compensation should be paid, the NCA will be responsible for paying that compensation. They will introduce a duty on the police and others to consult the Treasury to ensure that the full range of terrorist asset-freezing powers are considered before exercising the related power provided by the Bill. They will require consultation with the devolved Administrations before the provisions in clause 12 relating to the seizure of gaming vouchers and betting slips are commenced. This will ensure that the provisions are implemented effectively in Scotland and Northern Ireland.

On the devolved Administrations, we hope the Scottish Parliament will approve their legislative consent motion on the Bill shortly. Although the Government assert that none of the provisions are devolved with respect to Wales, I note that the Assembly has already provided such a motion. The Government have had extensive discussions with the Northern Ireland Executive about the Bill, and plans were in place for a legislative consent motion to be considered by the Assembly—law enforcement authorities in Northern Ireland are keen to ensure they have access to the powers in the Bill—but the suspension of the Assembly prior to elections has prevented the motion from being pursued at this time. These are clearly extremely unusual circumstances, but the Government remain committed to the central principles of the Sewel convention. We will therefore commit not to commence provisions on matters devolved to Northern Ireland without the appropriate consents having been obtained. It is our intention to pick this up with the Executive, following those elections. It may not be possible to resolve this before the Bill receives Royal Assent. We are most likely to make further amendments to the Bill in the House of Lords to put beyond doubt that all the relevant provisions can be commenced at separate times for different areas of the United Kingdom.

2.30 pm

Gavin Robinson (Belfast East) (DUP): The Minister will be aware that although the aspiration is to see an early return to the Stormont Executive, the likelihood of that happening in the immediate future is somewhat fraught. Given that the Bill will inevitably conclude before we see the return to the institutions of Stormont, will he outline what steps will be taken to regularise issues, once the Assembly has been restored?

Mr Wallace: We are in ongoing discussions with the Northern Ireland Assembly, and we hope that the Northern Ireland Assembly elections are completed and that Stormont takes up the reins again, so that devolution returns to Northern Ireland. That is our starting-point, and it is what we all wish. There was a good cross-party consensus for these provisions for Northern Ireland in the Assembly earlier. I cannot remember the exact date of the election—the hon. Gentleman might have to remind me. Let us plan for normality in Northern Ireland and make sure that we get to a good position.

Gavin Robinson: The election is planned for 2 March. I agree with the aspiration to see a return to Stormont as soon as possible, but does the Minister believe that there would be some merit in at least corresponding with the leaders of each political party to attain affirmation of the measures at this stage, for fear that we do not see a return in a reasonable period?

Mr Wallace: I am grateful to the hon. Gentleman, and I will certainly put that suggestion to officials. My view would be that pre-suspension of the Assembly is the place we are at, and although there has been a change of a leader, I am not sure that we have had any signal that it has gone backwards. The date of 2 March gives me some good hope. I have never known the other place move at the speed of light, so I hope we shall have time to make sure that this gets through.

Finally, this group includes two proposals concerning unexplained wealth orders: new clause 5, in the name of a number of the officers of the all-party parliamentary groups on anti-corruption and responsible tax, and Opposition amendment 1. I will allow hon. Members the opportunity to speak to those amendments and will respond to them in my closing remarks.

Carolyn Harris (Swansea East) (Lab): The Opposition support the spirit of the Bill and broadly support this group of amendments. We welcome new provisions to prosecute those professionals who fail to prevent tax evasion, as well as welcoming unexplained wealth orders, under which assets can be seized if owners are unable to explain how they were funded. We, of course, support the Government's effort to tighten up state powers against white-collar crime, but we have concerns that they are squandering the opportunity that the Bill provides to stamp out the everyday corruption of the super-rich who are getting a free ride at the expense of the wider society, thereby fuelling inequality.

Another problem is that, amid the Government's cuts to public services, the Bill could be very difficult to enforce. Although I understand the giving of new powers to HMRC, are the Government not concerned about how HMRC will carry out its new duties? Given that

[Carolyn Harris]

the coalition Government decimated HMRC's budgets by £100 million and that HMRC is set to lose 137 of its offices by 2027, there seems little point in creating laws that cannot be enforced—unless, of course, it is to give the impression that the Government are doing something. This, I fear, is a theme that has sadly run through our proceedings on the Bill so far.

We Opposition Members argue that it is crucial for the agencies involved in civil recovery powers to have sufficient resources to do their jobs properly. We therefore request a distinct and clear annual report that details the resources allocated to the agencies that are concerned solely with the task of carrying out these recovery powers.

In previous stages, the Government objected on the grounds that the asset recovery incentivisation scheme would allow frontline agencies to keep 100% of what they recover, but this argument is seriously flawed. In theory, yes, the agencies could retain the total value recovered, but as the Public Accounts Committee made clear in its progress review of confiscation orders and as the Home Affairs Select Committee made clear in its review of the Proceeds of Crime Act 2002, these agencies' recovery rates have been typically poor. Consequently, it remains to be seen how these agencies will improve their rate of recovery to benefit from the new incentivisation scheme.

Another reason that the Government gave is that anyone who wanted to find out this information could in theory obtain it by going to a number of different sources. Yet again, this is flawed. We previously argued for a detailed reporting of resources, specifically for these agencies, in the exercise of the powers laid down in the Bill and the Proceeds of Crime Act 2002.

The Government have already blocked a number of measures that Labour has proposed to make this a meaningful and effective Bill. We proposed a corporate probation order. If a company was found to have committed a failure to prevent offence, it would have been subject to an independent review of its compliance procedures and it would have had to pay the full costs of such a review. This was coupled with allowing for the removal of directors from companies who failed to ensure that proper procedures were in place to prevent UK and foreign tax evasion offences from taking place. The Government believed that this was unnecessary because UK law could already deal with such cases of negligence. Although there may be a case for some UK law to be used to a similar effect, it would not be an identical effect.

While there is an implied threat to the EU that the Government could change the UK's economic model into one of a tax haven, there is a strong case for legislation to protect both UK citizens and citizens from around the world. With the potential for a race to the bottom and the destruction of workers' rights and the slashing of corporation tax, it could be argued that a Brexiteer Government would foster an environment where tax evasion was implicitly encouraged.

As my colleagues have said, and will no doubt say again, the Bill must do more to tackle the deeply entrenched and extraordinarily costly phenomenon of tax avoidance.

Tax avoidance is, in effect, living to the letter of the law, but not in the spirit of the law. Repeated investigations of companies that sail close to the wind but know that they have bought the lawyers and accountants to make their tax abuse legal is both very frustrating and extremely costly. As the UK general anti-abuse rules show, there are ways to minimise the risk of corporate abuse of the tax system, and these should be absorbed into the Bill.

Spain, Canada and Australia each have a single agency responsible for supervising and enforcing anti-money laundering regulations—Britain has 22. Worse still, according to Transparency International UK, 15 of these 22 supervisors also lobby on behalf of the interests of their sector, creating clear conflicts of interest and a system inefficient to its core. The Government raised this problem in their action plan that preceded the Bill, but they were not concerned enough to convert this into proposed legislation. The system needs reform and the Bill needs to reflect this. Unless the Government accept all these concerns and indeed all the changes suggested in the Opposition amendments, the Bill is likely to fail on the intention to clean up money laundering and tax evasion.

Nigel Mills (Amber Valley) (Con): It is a pleasure to speak to new clause 5, which, as the Minister said, stands in my name and those of colleagues in the all-party parliamentary anti-corruption group. The reason for tabling new clause 5 was to probe the Government on the issue and make sure that we make full use of the unexplained wealth orders and the interim freezing orders that we envisage in passing this Bill. I fear that if we are not careful, the various authorities that can use the orders may be a little concerned about the possibility that the people against whom they want to use them—who, in some cases, will no doubt be very rich and powerful and will not take the freezing or restriction of their wealth lightly—will seek to frustrate the process and oppose the orders with every means available to them. They might, for instance, incur huge costs—perhaps well above what could be considered reasonable in the circumstances—and try to force them on to the taxpayer at a later date if they succeeded in resisting the orders.

Although it is absolutely right for people to be able to recover reasonable costs if the state tries to impose orders and fails, it would be unreasonable for them to engage numerous very highly paid barristers and incur costs that were wholly disproportionate, which the taxpayer would end up having to pay. The real risk is that bodies trying to use these powers would be deterred from doing so, because they would fear that very rich people might take large chunks of their budgets for a long period while resisting the orders.

The aim of new clause 5 is to establish whether the existing powers for the courts to restrict the amount of costs recovered can be described as applying to efforts to obtain the orders that are specified in the Bill, so that it is plain to everyone that the various state authorities, acting competently and reasonably clearly in trying to use the orders, cannot be unreasonably opposed and end up with excessive costs. It would be helpful if the Minister explained how he thinks the orders would work and what he thinks about the interaction with the existing capping rules for the courts.

This is not an entirely theoretical issue. In the past, very significant costs have been awarded against the Serious Fraud Office. I am not pretending that the circumstances were similar to those that we are discussing in this instance—I think that that may not have been the finest hour of the Serious Fraud Office—but there is clearly evidence that the sort of people with whom we are dealing might try to obtain costs that would have a deterrent effect on the use of the orders. It would be useful to hear from the Minister whether he thinks that the courts can and should use various cost-capping measures to ensure that we are not unreasonably exposed to very high costs.

Richard Arkless: I want to talk briefly about what I must admit is probably my favourite section of the Bill—the part that deals with unexplained wealth orders. I think it is an excellent provision, which is likely to drive a Trojan horse right through the assets of criminals who choose to lodge them in the United Kingdom.

The hon. Member for Amber Valley (Nigel Mills) made some very valid points about new clause 5. Indemnity costs can be easily translated to mean, in layman's terms, full costs. In other words, every single hour and every penny of the expense on the file can be charged to the losing party, with no assessment of whether those costs are reasonable. Given that we are talking about politically exposed people, potentially in other jurisdictions, we can imagine the number of officials travelling back and forth on flights. All that will find its way on to a costs sheet, and all of it will be recoverable to the payee in indemnity costs. We could end up with an inequality of arms, not in favour of the Government but in favour of the respondents, which I think would be very dangerous.

The threat of indemnity costs acts as a major litigation risk for the claimants or pursuers, or, in this case, the applicants. If they know that they are likely to be in for a bigger bill, they will think twice about making applications. These are our law enforcement agencies, and I believe that they should be able to pursue their applications with determination, without fear or favour, and without the risk of incurring indemnity costs which would be deeply disproportionate. That would be very bizarre and counterproductive.

I thank the hon. Member for Amber Valley for tabling his probing new clause, and I shall be pleased to hear what the Government have to say about it. As a boring, pedantic lawyer, I think it worth mentioning that indemnity costs are very rare, and arguably arise only in proportionate circumstances. However, we are talking about politically exposed people with potentially limitless funds. The better they can make their case in court, the more likely it is that they will be awarded indemnity costs if they are successful, and I think that we should take that risk out of the equation.

As I have said, the unexplained wealth orders provision is an excellent feature of the Bill. Let me explain exactly how the orders would work. The Bill will enable a court in Scotland—the Court of Session—on application by Scottish Ministers to make an unexplained wealth order. Such orders will require individuals or organisations to explain the origin of their assets if there are reasonable grounds for suspecting that they may have been involved in criminality, or intend to use that wealth for criminal

purposes, and if the value of the assets exceeds £100,000. During earlier stages of the Bill, the Minister and I discussed that threshold, and I should be pleased if he could update me on his thoughts about it.

Mr Wallace: In response to what has been said about the issue, and the sensible suggestions made by the hon. Gentleman, we are considering options for potentially lower thresholds, to be dealt with in the other place. We will of course inform him when there is agreement across the Government.

2.45 pm

Richard Arkless: That is very co-operative of the Minister, and I greatly appreciate it. I may not have his confidence in the other place, but we will wait with bated breath.

Unexplained wealth orders will be available to the courts when assets appear disproportionate to known legitimate income. For example, it was reported recently that a taxi driver owned a £1 million fish tank. That is not to say that taxi driving is not a potentially lucrative trade, but the asset could certainly be disproportionate to that person's income. Failure to provide a response to an order and explain the legitimate source of funds would give rise to a presumption that the property was recoverable, which would make any subsequent civil recovery action much easier.

I must say, as a lawyer, that the notion of reversing the burden of proof does not automatically sit very comfortably with me, but, as in other areas, I consider it to be proportionate to the issue at stake. Sound legal principles such as the presumption of innocence, and the burden of proof being on the Crown, should not inadvertently protect criminals, which I suspect may have been the case thus far. The key aspect of this provision is that a criminal conviction will no longer be necessary before law enforcement can pierce the criminal's veil that camouflages his wealth. Getting away with the crime itself will no longer protect a criminal's wealth. The Bill will allow this power to be applied to foreign politicians and officials or those associated with them, known as politically exposed people. That will enable the issue to be tackled substantively and determinedly for the first time.

I agree with some of what was said by the hon. Member for Swansea East (Carolyn Harris) about resources. Part of the reason for introducing provisions for unexplained wealth orders is the fact that many law enforcement agencies think that there is a raft of applications, ready to be made immediately. There are properties and asset groups and accumulations in this country, and in some cases we do not know where they come from. If the Act receives Royal Assent, this power will land on the desks of law enforcement agencies that potentially have applications piled up. I think that, in those circumstances, resources are a very viable concern.

I hope that the Minister will be able to give us some reassurance, which unfortunately he has not been able to give thus far during the Bill's passage, that enough resources will be allocated to make unexplained wealth orders work. This is probably the best part of the Bill, and it needs to work. If it does work, we shall make huge strides in ensuring that this country cannot be used as a safe haven for dirty money.

Mr Wallace: This has been a short and helpful part of our proceedings today. I am pleased that Members in all parts of the House agree in principle with the concept of the unexplained wealth order. I think that it will be an incredibly useful tool. The first group of amendments dealt with another tool that could be used to ask people to explain where their wealth came from, even without the evidence or the intelligence that would link them to the offence of gross human rights abuse that we are seeking to introduce.

The use of unexplained wealth orders to put the onus on individuals to tell us where they acquired their wealth will obviously be a strong step towards clearing the United Kingdom of people who seek to harbour their ill-gotten gains here, but we should not forget that it will also deal with criminals in the UK who are “washing” their wealth and depositing it elsewhere in the community. Such people sometimes hide in plain sight.

What I am about to say is no different from what I have said to the National Crime Agency. I would like to see this provision used sooner rather than later. We in Parliament always get lobbied for new offences—lots of people come along and lobby us, and there is always either a Home Office Bill or a Ministry of Justice Bill going through this House—and a lesson I have learned in my 12 years in Parliament is that if offences are not used sooner rather than later, many of them just sit on shelves. It is therefore important that the law enforcement agencies hear Parliament today say, “We are—hopefully—going to give you these powers; we want them to be used.”

Richard Arkless: Given that we want to start using these orders immediately, resource is a key issue. It is difficult to put a price on this, but has any assessment been made within Government of what this is going to cost in the next two to three months after Royal Assent, because there are a lot of applications ready to be made and we need the resources to make them?

Mr Wallace: I can reassure the hon. Gentleman and the hon. Member for Swansea East (Carolyn Harris) that one part of government that has not seen a significant reduction in its budgets is the area of the regional organised crime units, the national crime agencies and the security and intelligence agencies, which assist us in tackling organised crime and money laundering. The National Crime Agency has a capital budget of £50 million this year, with £427 million of funding. It is supported in England and Wales by the regional organised crime units, which have got £519 million of funding. The figures for the Serious Fraud Office are £45 million, with £5 million of capital this year, and the figures for HMRC are £3.8 billion in resource and £242 million in capital. Of course, in terms of crime-fighting, the question is, “How long is a piece of string?”

Dr Huq: I am listening intently to what the Minister is saying, and I am reminded of an *Evening Standard* report—from earlier this year, I think—headed: “Home Office reveals new Criminal Finances Bill will target just 20 tycoons a year.” The report says that is based on the Home Office’s own impact assessment which

“predicts that the power will remain unused in its first year ‘as part of the learning curve’, and thereafter will be used in only 20 cases each year.”

That is because of resource implications, which is precisely the point raised by the hon. Member for Dumfries and Galloway (Richard Arkless). Does the Minister have any comment to make on that?

Mr Wallace: The impact assessment is not linked to access to funds. The impact assessment is a judgment as to how it would see these powers being used. Probably like the hon. Lady, I would like to see them used an awful lot more, but that is an impact assessment, and the NCA does not follow the impact assessment. If the evidence is presented or the cases are put before it that allow it to do 100, it will do 100. It is not restricted by the impact assessment. I would therefore not be too distracted by the London *Evening Standard* and the impact assessment.

Instead, I would focus on the fact that we have well resourced our law enforcement agencies to tackle this, and this Bill will give them the power. They have the political support of both sides of the House to exercise that power, so let us see how far we go. However, I would be delighted to join the hon. Lady in asking, in 12 months’ time or whenever the Bill goes through, why we have not used them more; I will be asking the NCA and all the other organisations to try to make sure they have done so.

The hon. Member for Swansea East made a point about the asset recovery incentivisation scheme, or ARIS, funding for the recovery of assets not really being worth the paper it was printed on—I think that was what she was trying to say, if she will forgive me for putting words in her mouth. However, since 2006, under an arrangement under her last Government, £764 million has gone into funding those law enforcement agencies, and in the last three years £257 million has gone in. Hopefully, with the new arrangement, above the baseline of, I think, £146 million—I will correct that in writing if it is not £146 million—100% will be kept.

We are also following on from the excellent reports from the Home Affairs Committee and the Public Accounts Committee looking into why we have not achieved enough in terms of confiscation orders and recovery of assets. I have told officials I am particularly concerned that it was suggested in one of those reports that the focus seemed to be on small assets—the collection rate was higher for smaller amounts of money, but lower among millionaires—and I have specifically directed officials that we must look at turning the tables. I want all assets collected that are subject to confiscation, but those reports are a good guideline and we did not ignore that specific point. We will certainly make sure that we build on it and improve on it, because there is money in it for us all, should we do it, and I am very keen that we should.

New clause 5, tabled by my hon. Friend the Member for Amber Valley (Nigel Mills), seeks to prevent the courts from awarding uncapped costs against enforcement agencies when they have brought unsuccessful applications for unexplained wealth orders or related interim freezing orders. I appreciate that this is to ensure that law enforcement agencies do not feel constrained in their ability to apply for an unexplained wealth order, for fear of incurring financial liability. But, as law enforcement representatives told the Public Bill Committee in November, this is a natural part of the state wielding its investigative powers, and they are certainly not pressing for a provision

of this type. It is a well-established principle that the losing party pays the winning party's legal costs. This is an important check and balance on parties bringing spurious claims, or the state using its powers erroneously.

At the same time, the civil procedure rules do already allow for capping in exceptional circumstances, so law enforcement agencies would be able, as things stand, to apply for a cost-capping order in appropriate cases. I undertake to ensure that this point is included in the code of practice that will support the use of these orders. I trust that Members will agree that this is a far more sensible way forward than a blanket rule for all unexplained wealth order cases.

It is crucial that the initial cases are thoroughly developed to ensure that the orders have the greatest possible impact. We are already actively engaging with law enforcement officers and prosecutors to encourage the use of the new powers being introduced by the Bill. Ultimately, it will be for the enforcement authorities to decide when to use them, but we will—as, no doubt, will Her Majesty's loyal Opposition—monitor and review the use of the orders once they have been introduced. This will inform future support or changes that may be needed to ensure that they are being used to maximum effect.

The hon. Member for Swansea East explained from the Opposition Front Bench the objective behind her amendment 1. However, as I explained when this issue arose in Committee, politically exposed persons in the UK and European economic area can, in fact, already be made subject to an unexplained wealth order. These orders can be made in two situations: first, where an individual is suspected of involvement in serious crime; and secondly, in relation to non-EEA politically exposed persons. An unexplained wealth order can thus be made in relation to politicians and senior officials in Europe, when they are suspected of being involved in serious criminality. In such an investigation, if evidence exists of links to serious organised crime, it should be available, obtainable and readily provided, and it would be unreasonable and disproportionate, for example, for Members of this House to be made subject to an order without any evidence of criminality.

However, for investigations into grand corruption involving countries outside Europe, including the developing world, that evidence is far less likely to be available. It will be much harder in some countries where corruption is endemic to get the evidence to bring to the court at first about wealth hidden in London. That is why we have chosen to have a lower threshold for evidence when applied to countries outside the EEA.

We should not forget that unexplained wealth orders are not an end in themselves; they are part of a process leading eventually, should those concerned not be able to give satisfactory answers, to another action in court to confiscate the assets. As I said when I met the right hon. Member for Hackney North and Stoke Newington (Ms Abbott) to discuss this, I do not want unexplained wealth orders also to produce a lot of derelict empty buildings that are caught up in legal dispute and sitting around London being no good for anyone. I want them to be used and be placed on people whom we have linked to serious crime, and then, should they not be able to satisfy the court, for us then to go to the next step and recover that asset, so that the houses and the housing market are freed up, and any money is returned

to whoever it has been stolen from—a country, or other people. An order is therefore a step in the process, not an end in itself.

I hope that I have sufficiently reassured the House on these points, and that the Opposition will feel inclined to not press their amendment.

Question put and agreed to.

New clause 8 accordingly read a Second time, and added to the Bill.

New Clause 2

FAILURE TO PREVENT AN ECONOMIC CRIMINAL OFFENCE

“(1) A relevant body (B) is guilty of an offence if a person commits an economic criminal offence when acting in the capacity of a person associated with (B).

(2) For the criminal purposes of this clause—

“economic criminal offence” means any of the offences listed in Part 2 of Schedule 17 to the Crime and Courts Act 2013.

“relevant body” and “acting in the capacity of a person associated with B” has the same meaning as in section 39.

(3) It is a defence for B to prove that, when the economic criminal offence was committed—

(a) B had in place such prevention procedures as it was reasonable in all the circumstances to expect B to have in place, or

(b) it was not reasonable in all the circumstances to expect B to have any prevention procedures in place.

(4) In subsection (2) “prevention procedures” means procedures designed to prevent persons acting in the capacity of a person associated with B from committing an economic criminal offence.

(5) A relevant body guilty of an offence under this section is liable—

(a) on conviction on indictment, to a fine,

(b) on summary conviction in England and Wales, to a fine,

(c) on summary conviction in Scotland or Northern Ireland, to a fine not exceeding the statutory maximum.

(6) It is immaterial for the purposes of this section whether—

(a) any relevant conduct of a relevant body, or

(b) any conduct which constitutes part of a relevant criminal financial offence takes place in the United Kingdom or elsewhere.

(7) The Chancellor of the Exchequer and the Secretary of State must prepare and publish guidance about procedures that relevant bodies can put in place to prevent persons acting in the capacity of an associated person from committing an economic criminal offence.”—(*Sir Edward Garnier.*)

This new clause would create a corporate offence of failing to prevent economic crime, defined by reference to the offences listed in Part 2 of Schedule 17 to the Crime and Courts Act 2013.

Brought up, and read the First time.

3 pm

Sir Edward Garnier (Harborough) (Con): I beg to move, That the clause be read a Second time.

Madam Deputy Speaker (Natascha Engel): With this it will be convenient to discuss the following:

New clause 3—*Failure to Prevent an Economic Criminal Offence (No. 2)*—

“(1) A relevant body (B) is guilty of an offence if a person commits a economic criminal offence when acting in the capacity of a person associated with (B).

(2) For the purposes of this clause—

“economic criminal offence” means one of the following—

- (a) a common law offence of conspiracy to defraud;
- (b) an offence under section 1, 5 or 7 of Fraud Act 2006;
- (c) an offence under section 1, 17 or 20 of the Theft Act 1968 (theft, false accounting and destruction of documents);
- (d) an offence under section 993 of the Companies Act 2006 (fraudulent trading);
- (e) an offence under sections 346, 397 and 398 of the Financial Services and Markets Act 2000 (providing false statements to auditors, misleading statements, and misleading the FCA);
- (f) an offence under section 327, 328 and 329 of the Proceeds of Crime Act 2002 (concealing criminal property, facilitating acquisition, acquisition and use of criminal property).

“relevant body” and “acting in the capacity of a person associated with B” has the same meaning as in section 39.

(3) It is a defence for B to prove that, when the economic criminal offence was committed—

- (a) B had in place such prevention procedures as it was reasonable in all the circumstances to expect B to have in place, or
- (b) it was not reasonable in all the circumstances to expect B to have any prevention procedures in place.

(4) In subsection (2) “prevention procedures” means procedures designed to prevent persons acting in the capacity of a person associated with B from committing an economic criminal offence.

(5) A relevant body guilty of an offence under this section is liable—

- (a) on conviction on indictment, to a fine,
- (b) on summary conviction in England and Wales, to a fine,
- (c) on summary conviction in Scotland or Northern Ireland, to a fine not exceeding the statutory maximum.

(6) It is immaterial for the purposes of this section whether—

- (a) any relevant conduct of a relevant body, or
- (b) any conduct which constitutes part of a relevant criminal financial offence takes place in the United Kingdom or elsewhere.

(7) The Chancellor of the Exchequer and the Secretary of State must prepare and publish guidance about procedures that relevant bodies can put in place to prevent persons acting in the capacity of an associated person from committing an economic criminal offence.”

This new clause would create a corporate offence of failing to prevent economic crime, defined by reference to certain offences listed in subsection (2).

New clause 4—Failure to prevent criminal financial offences in the UK—

“(1) A relevant body (B) is guilty of an offence if a person commits a criminal financial offence when acting in the capacity of a person associated with B.

(2) It is a defence for B to prove that, when the criminal financial offence was committed—

- (a) B had in place such prevention procedures as it was reasonable in all the circumstances to expect B to have in place, or
- (b) it was not reasonable in all the circumstances to expect B to have any prevention procedures in place.

(3) In subsection (2) “prevention procedures” means procedures designed to prevent persons acting in the capacity of a person associated with B from committing criminal financial offences.

(4) For the purposes of this clause—

“criminal financial offence” means an offence listed in Part 2 of Schedule 17 to the Crime and Courts Act 2013 [that could not be prosecuted under the offences created by sections 7 and 38 of this Act],

or, one of the offences listed below—

- (a) an offence under section 1, 6 or 7 of the Fraud Act 2006;
 - (b) an offence under section 1, 17 or 20 of the Theft Act 1968;
 - (c) an offence under section 993 of the Companies Act 2006;
 - (d) an offence under section 327, 328 and 329 of the Proceeds of Crime Act 2002;
 - (e) the common law offence of conspiracy to defraud;
- “relevant body” has the same meaning as in section 36.

(5) A relevant body guilty of an offence under this section is liable—

- (a) on conviction on indictment, to a fine,
- (b) on summary conviction in England, to a fine,
- (c) on summary conviction in Scotland or Northern Ireland, to a fine not exceeding the statutory maximum.

(6) It is immaterial for the purposes of this section whether—

- (a) any relevant conduct of a relevant body, or
- (b) any conduct which constitutes part of a relevant criminal financial offence takes place in the United Kingdom or elsewhere.”

This New Clause would create an offence of failing to prevent any financial offence listed in Part 2 of Schedule 17 of the Crime and Courts Act 2013.

New clause 6—Public registers of beneficial ownership of companies registered in the Overseas Territories—

“(1) In Part 1 of the Proceeds of Crime Act 2002 (introductory), after section 2A, insert—

“2AA Duty of Secretary of State: Public registers of beneficial ownership of companies registered in Overseas Territories

(1) It shall be the duty of the Secretary of State, in furtherance of the purposes of—

- (a) this Act; and
- (b) Part 3 of the Criminal Finances Act 2017

to take the steps set out in this section.

(2) The first step is, no later than 31 December 2018, to provide all reasonable assistance to the Governments of the UK’s Overseas Territories to enable each of those Governments to establish a publicly accessible register of the beneficial ownership of companies registered in that Government’s jurisdiction.

(3) The second step is, no later than 31 December 2019, to prepare an Order in Council and take all reasonable steps to ensure its implementation, in respect of any Overseas Territory that has not yet introduced a publicly accessible register of the beneficial ownership of companies within their jurisdiction. This Order would require the Overseas Territory to adopt such a register.

(4) In this section “a publicly accessible register of the beneficial ownership of companies” means a register which, in the opinion of the Secretary of State, provides information broadly equivalent to that available in accordance with the provisions of Part 21A of the Companies Act 2006.”

This new clause would require the Secretary of State to take steps to provide that Overseas Territories establish publicly accessible registers of the beneficial ownership of companies, for the purposes of the Proceeds of Crime Act 2002 and Part 3 of the Bill (corporate offences of failure to prevent facilitation of tax evasion).

New clause 10—*Duty to prevent use of new Limited Partnerships for financial criminal activity*—

“(1) The Treasury may not lay regulations before Parliament on new Limited Partnerships before the Secretary of State has completed and published a review of the proposed regulations.

(2) It shall be the duty of the Secretary of State to review draft regulations which would allow the creations of new Limited Partnerships, in order to prevent the use of new Limited Partnerships for financial criminal activity.

(3) In performing that duty the Secretary of State must, in particular, have regard to the contribution transparency may make in tackling tax evasion, money laundering, national and cross border criminality, and terrorist financing.

(4) Following any review under subsection (2) the Secretary of State must lay a report before Parliament on what steps the Government will take to prevent new Limited Partnerships being used for criminal purposes.

(5) In conducting the review the Secretary of State must consult—

- (a) the Scottish Government,
- (b) the National Crime Agency,
- (c) the Serious Fraud Office,
- (d) the Financial Conduct Authority,
- (e) HMRC,
- (f) interested third sector organisations, and
- (g) any other persons the Secretary of State deems relevant.”

This new clause sets a duty on the Secretary of State to review Treasury proposals for new Limited Partnerships to prevent their use for financial criminal activity, including tax evasion, money laundering and terrorist financing. In carrying out the review the Secretary of State will be required to consult those groups listed in subsection (5) and lay a report before Parliament.

New clause 11—*Failure to prevent facilitation of tax evasion offences: consultation on other jurisdictions*—

“(1) Within 12 months of this Act receiving Royal Assent, the Secretary of State must conduct a public consultation on the issues listed in subsection (2).

(2) The issues are—

- (a) the desirability of the Crown Dependencies and Overseas Territories introducing equivalent offences to those introduced by sections 40 and 41 of this Act; and
- (b) the steps that would need to be taken for the Crown Dependencies and Overseas Territories to introduce equivalent offences to those introduced by sections 40 and 41 of this Act.

(3) As part of this consultation the Secretary of State must seek views from—

- (a) the governments of the Crown Dependencies and Overseas Territories,
- (b) such bodies as the Secretary of State or the governments specified in subsection (3)(a) consider appropriate,
- (c) any other person or body who the Secretary of State deems relevant, with particular regard to non-governmental bodies and private sector entities.

(4) The Secretary of State must lay before both Houses of Parliament a report setting out the outcome of this consultation within 24 months of this Act receiving Royal Assent.”

New clause 12—*Failure to prevent facilitation of tax evasion offences: publication of convictions*—

“(1) The Secretary of State must publish an annual report listing all bodies and organisations that have been found guilty of a failure to prevent facilitation of a UK foreign tax evasion offence within the previous five years.”

New clause 13—*Failure to prevent tax evasion offences: sentencing guideline*—

“(1) The Secretary of State must produce sentencing guidelines for the level of fine to be imposed on bodies found guilty of failure to prevent facilitation of a UK foreign tax evasion offence.

(2) Such guidance must stipulate that the maximum level of the fine cannot be greater than the total value of the tax whose evasion was facilitated.”

New clause 14—*Failure to Prevent an Economic Criminal Offence (No. 3)*—

“(1) A relevant body (B) is guilty of an offence if a person commits an economic criminal offence when acting in the capacity of a person associated with (B).

(2) For the criminal purposes of this clause—

“economic criminal offence” means any of the offences listed in Part 2 of Schedule 17 to the Crime and Courts Act 2013.

“relevant body” and “acting in the capacity of a person associated with B” have the same meaning as in section 39.

(3) B is guilty of an offence under this section if a person associated with B commits an economic criminal offence intending—

- (a) to obtain or retain business for B; or
- (b) to obtain or retain an advantage in the conduct of business for B or otherwise for the financial benefit of B.

(4) It is a defence for B to prove that, when the economic criminal offence was committed—

- (a) B had in place such prevention procedures as it was reasonable in all the circumstances to expect B to have in place, or
- (b) it was not reasonable in all the circumstances to expect B to have any prevention procedures in place.

(5) In subsection (2) “prevention procedures” means procedures designed to prevent persons acting in the capacity of a person associated with B from committing an economic criminal offence.

(6) A relevant body guilty of an offence under this section is liable—

- (a) on conviction on indictment, to a fine,
- (b) on summary conviction in England and Wales, to a fine,
- (c) on summary conviction in Scotland or Northern Ireland, to a fine not exceeding the statutory maximum.

(7) It is immaterial for the purposes of this section whether—

- (a) any relevant conduct of a relevant body, or
- (b) any conduct which constitutes part of a relevant criminal financial offence takes place in the United Kingdom or elsewhere.

(8) The Chancellor of the Exchequer and the Secretary of State must prepare and publish guidance about procedures that relevant bodies can put in place to prevent persons acting in the capacity of an associated person from committing an economic criminal offence.”

This new clause would create a corporate offence of failing to prevent economic crime, defined by reference to the offences listed in Part 2 of Schedule 17 to the Crime and Courts Act 2013.

New clause 15—*Failure to Prevent an Economic Criminal Offence (No. 4)*—

“(1) A relevant body (B) is guilty of an offence if a person commits an economic criminal offence when acting in the capacity of a person associated with (B).

(2) For the criminal purposes of this clause—

“economic criminal offence” means one of the following—

- (a) a common law offence of conspiracy to defraud;

- (b) an offence under section 1, 5 or 7 of Fraud Act 2006;
- (c) an offence under section 1, 17 or 20 of the Theft Act 1968 (theft, false accounting and destruction of documents);
- (d) an offence under section 993 of the Companies Act 2006 (fraudulent trading);
- (e) an offence under sections 346, 397 and 398 of the Financial Services and Markets Act 2000 (providing false statements to auditors, misleading statements, and misleading the FCA);
- (f) an offence under section 327, 328 and 329 of the Proceeds of Crime Act 2002 (concealing criminal property, facilitating acquisition, acquisition and use of criminal property).

“relevant body” and “acting in the capacity of a person associated with B” have the same meaning as in section 39.

(3) B is guilty of an offence under this section if a person associated with B commits an economic criminal offence intending—

- (a) to obtain or retain business for B; or
- (b) to obtain or retain an advantage in the conduct of business for B or otherwise for the financial benefit of B.

(4) It is a defence for B to prove that, when the economic criminal offence was committed—

- (a) B had in place such prevention procedures as it was reasonable in all the circumstances to expect B to have in place, or
- (b) it was not reasonable in all the circumstances to expect B to have any prevention procedures in place.

(5) In subsection (2) “prevention procedures” means procedures designed to prevent persons acting in the capacity of a person associated with B from committing an economic criminal offence.

(6) A relevant body guilty of an offence under this section is liable—

- (a) on conviction on indictment, to a fine,
- (b) on summary conviction in England and Wales, to a fine,
- (c) on summary conviction in Scotland or Northern Ireland, to a fine not exceeding the statutory maximum.

(7) It is immaterial for the purposes of this section whether—

- (a) any relevant conduct of a relevant body, or
- (b) any conduct which constitutes part of a relevant criminal financial offence takes place in the United Kingdom or elsewhere.

(8) The Chancellor of the Exchequer and the Secretary of State must prepare and publish guidance about procedures that relevant bodies can put in place to prevent persons acting in the capacity of an associated person from committing an economic criminal offence.”

This new clause would create a corporate offence of failing to prevent economic crime, defined by reference to the offences listed in Part 2 of Schedule 17 to the Crime and Courts Act 2013.

New clause 16—Conversion of platforms to centralised registers: review—

“(1) Within one year of this Act receiving Royal Assent the Secretary of State must establish a review of the operational efficacy of closed beneficial ownership platforms created by Crown Dependencies or British Overseas Territories that are subject to the automatic exchange of beneficial ownership information with Her Majesty’s Government for the purpose of combating illicit financial activity.

(2) The aim of the review will be to gather information to equip Her Majesty’s Government to take all steps necessary to provide financial, administrative or any other support to assist

Crown Dependencies and British Overseas Territories in converting all such beneficial ownership platforms into closed centralised registers of beneficial ownership.

(3) In the course of the review the Secretary of State must consult—

- (a) the governments of any Crown Dependencies and Overseas Territories which have created closed beneficial ownership platforms and which are subject to the automatic exchange of information with Her Majesty’s Government for the purpose of combating illicit financial activity; and
- (b) such bodies as the Secretary of State or governments under subsection (3)(a) deem appropriate.

(4) The review shall be completed and laid before Parliament within one year of its establishment.

(5) No later than one year after the review has been laid before Parliament, Her Majesty’s Government must have taken all steps necessary to assist relevant Crown Dependencies and British Overseas Territories in the establishment of closed centralised registers of beneficial ownership.

(6) Her Majesty’s Government shall supply quarterly reports to Parliament of the progress of steps taken under subsection (5), and such reports shall set out—

- (a) concerns expressed by relevant Crown Dependencies and British Overseas Territories about conversion of beneficial ownership platforms to centralised registers, and
- (b) an assessment by Her Majesty’s Government of the extent to which objections to the creation of centralised registers can be justified on a constitutional, economic, administrative or any other operational basis.”

New clause 17—Public registers of beneficial ownership of companies registered in Crown dependencies—

“(1) In Part 1 of the Proceeds of Crime Act 2002 (introductory), after section 2A, insert—

“2AA Duty of Secretary of State: Public registers of beneficial ownership of companies registered in Crown dependencies

(1) It shall be the duty of the Secretary of State, in furtherance of the purposes of—

- (a) this Act; and
- (b) Part 3 of the Criminal Finances Act 2017

to take the actions set out in this section.

(2) The first action is, no later than 31 December 2017, to provide all reasonable assistance to the Governments of Crown Dependencies to enable each of those Governments to establish a publicly accessible register of the beneficial ownership of companies registered in that Government’s jurisdiction.

(3) The second action is, no later than 31 December 2019, to publish legislative proposals to require the Government of any Crown dependency that has not already established a publicly accessible register of the beneficial ownership of companies registered in that Government’s jurisdiction to do so.

(4) In this section—

“a publicly accessible register of the beneficial ownership of companies” means a register which, in the opinion of the Secretary of State, provides information broadly equivalent to that available in accordance with the provisions of Part 21A of the Companies Act 2006.

“legislative proposals” means either—

- (a) a draft Order in Council; or
- (b) a Bill presented to either House of Parliament.”

New clause 18—Whistleblowing in relation to failure to prevent facilitation of tax evasion and money laundering—

“(1) The Secretary of State shall conduct a review of arrangements to facilitate whistleblowing in the banking and financial services sector in relation to the disclosure of suspected

corporate failure to prevent facilitation of tax evasion and money laundering.

(2) The review must consider, but shall not be limited to—

- (a) arrangements to protect the anonymity of persons disclosing suspected corporate failure to prevent facilitation of tax evasion and money laundering;
- (b) the efficacy of current penalties for institutions that treat whistleblowers unfairly, and proposals for future criminal penalties.

(3) In conducting the review the Secretary of State must consult—

- (a) whistleblowers in the banking and financial services sector,
- (b) devolved administrations,
- (c) interested charities,
- (d) the relevant regulators, and
- (e) any other persons the Secretary of State deems relevant.

(4) The Secretary of State must lay the report to Parliament within six months of the passing of this Act.”

This new clause requires the Secretary of State to conduct a review of arrangements to facilitate whistleblowing in the banking and financial services sector, in consultation with those groups listed in subsection (3), and then lay a report before Parliament on steps the Government will take to bring forward penalties for institutions that fail to protect whistleblowers.

New clause 19—*The culture of the banking industry and failure to prevent the facilitation of tax evasion—*

“(1) The Secretary of State must undertake a review into the extent to which banking culture contributed to the failure to prevent the facilitation of tax evasion in the banking sector.

(2) The review must consider, but shall not be limited to, the following issues—

- (a) the impact of culture change on decision making senior executive and board level;
- (b) the pressure on staff to meet performance targets;
- (c) how allegations of tax evasion are reported and acted on.

(3) The review must set out what steps the UK Government intends to take to ensure that banking culture is not facilitating tax evasion.

(4) In carrying out this review, the Secretary of State must consult—

- (a) devolved administrations;
- (b) HMRC;
- (c) the Serious Fraud Office;
- (d) the Financial Conduct Authority;
- (e) interested charities, and
- (f) anyone else the Secretary of State deems appropriate.

(5) The Secretary of State shall lay a copy of the review before the House of Commons within six months of this Act receiving Royal Assent.”

New clause 20—*Report on the impact of the criminal offences relating to offshore income, assets and activities—*

“(1) The Chancellor of the Exchequer shall, within one year of the coming into force of the provisions in Tax Management Act 1970 relating to criminal offences relating to offshore income, assets and activities introduced by section 165 of the Finance Act 2016 publish a report on the impact of the introduction of these offences.

(2) The report must include, but need not be limited to, information about—

- (a) the number of persons who have been charged with offences under each of sections 106B, 106C and 106D of the Tax Management Act 1970;
- (b) the number of persons who have been convicted of any such offence;

(c) the average fine imposed; and

(d) the number of people upon whom a custodial sentence has been imposed for any such offence.”

New clause 21—*Report on income lost to tax evasion—*

“(1) The Chancellor of the Exchequer shall, within one year of the passing of this Act, prepare and publish a report, in consultation with stakeholders, on the value of income lost to the Exchequer from tax evasion offences.

(2) The report must include the following—

(a) the value of the income lost to the Exchequer from tax evasion offences in the financial years—

- (i) 2015-16;
- (ii) 2014-15;
- (iii) 2013-14;
- (iv) 2012-13; and
- (v) 2011-12;

(b) a detailed summary of the model used by HMRC for estimating income lost to the Exchequer from tax evasion offences.

(c) an assessment of the efficacy of HMRC’s performance in relation to dealing with tax evasion, including—

- (i) a breakdown of specific HMRC departments or units dealing with investigation and enforcement of tax evasion matters;
- (ii) details of the numbers of staff in each of the years listed in paragraph (a) who are located within departments or units dealing with investigation and enforcement matters in relation to tax evasion;
- (iii) details of the budgets allocated to departments or units dealing with investigation above; and
- (iv) details of the numbers of prosecutions or the amount of tax recovered in each financial year listed in paragraph (a) as a result of the work of HMRC departments or units dealing with investigation and enforcement matters in relation to tax evasion in those financial years.”

Sir Edward Garnier: I shall be relatively brief in introducing this group of new clauses. In moving new clause 2, which stands in my name and those of a number of hon. Members on both sides of the House and which mirrors new clauses 3, 4, 14 and 15, I want to introduce a debate about the future of corporate criminal liability in this jurisdiction. I must declare an interest, as over the past few years I have been instructed by the Serious Fraud Office in a number of cases involving the prosecution of large international companies. One of the problems that prosecutors and, no doubt, investigators have found in this jurisdiction when dealing with the modern corporate landscape—to use that hideous jargon—involves trying to fix liability on a company suspected of criminal activity, as a matter of criminal law. It is not difficult to fix criminal liability on an individual if the evidence is there: the person either did or did not do it, and they either did or did not have the necessary criminal intent.

Under current English law, however, fixing criminal liability on a corporation involves resorting to what is called the identification principle. This involves finding someone of sufficient seniority within a corporation who can act as or be described as the directing mind of the company. Through that identified person, we can then move on to fix criminal liability on the corporation. That was fine in the Victorian era, when most companies had one or two directors. An example would be a small business in a market town in the 1860s or 1870s, which would have been owned and directed by two or three men—it was always men in those days. If a fraud was

[Sir Edward Garnier]

committed on behalf of the company, it would have been perfectly easy to find the directing mind of that company among the small group of directors.

As the industrial revolution and corporate legal development proceeded during the late 19th century and early 20th century, however, it became clear that companies were getting bigger. An increase in international trade meant that companies based in this country had offices, and directing minds, in other parts of the world. In 1912, the United States dealt with this by doing away with the identification principle involving the directing mind and, through case law, by developing a principle in criminal law that a company could be vicariously liable for the criminal acts of its employees on the basis that they were conducting criminal activities for the benefit and on behalf of the company.

We in this country reached the stage long ago at which we needed to reform the way in which we look at corporate criminal liability. The hon. Member for Dumfries and Galloway (Richard Arkless), with his Scottish legal experience, will no doubt inform us whether the situation is the same in Scotland as it is in England, but I believe that it is uncontroversial to say that the Victorian identification principle is no longer apt to deal with international corporations. I am not picking on the company that I am about to mention because I think it has committed a criminal offence; quite the contrary—I just want to use it as an example of a large international company. British Telecommunications is a huge company that employs hundreds of thousands of people all around the globe doing various things in the telecoms world, all of them entirely legitimate and beneficial to the company, its shareholders and our national economy. Surely, however, it is a matter of common sense to say that it would be extremely difficult nowadays to fix upon an individual or small group of individuals as representing the directing mind of that company if it was suspected that an offence had been committed many miles away from the main board and the headquarters of the company in London. I repeat that I have used British Telecommunications simply as an example of a large international company with operations right around the world.

Of course it would be perfectly possible to fix upon an individual, a human being, who had committed an offence. It might well be that that individual had committed an offence for the benefit of the international corporation, but unless that person was of sufficient seniority within the hierarchy of that great big international company, it would be very difficult to fix criminal liability for that person's offence on the corporation as well. As I have said, the United States has been getting round that problem for more than 100 years by using the principle of vicarious liability, which we are used to dealing with in this country in civil law but not in criminal law.

I believe that there are two ways in which we can approach this question, and this is the whole point of the new clauses that I and others have tabled. First, we could use the American system of vicarious liability, and there are plenty of good arguments for doing so. Secondly, we could approach the problem—as we have done in the new clauses—by using the failure to prevent regime, in which, when a company fails to prevent someone or another body associated with it from

committing a specified offence, it thereby becomes liable for the criminal offence itself. We already have that provision on the statute book in section 7 of the Bribery Act 2010, and it is about to be added to the statute book through the existing provisions in this Bill relating to tax offences. That follows David Cameron's speech to the corruption summit at Lancaster House last summer.

In pushing forward these new clauses, I want to invite Parliament, in this House and the other place, and the Government—by which I mean not only the political Government but the non-political Government: the officials who run the Government day by day and advise on matters of policy—to consider whether extending the failure to prevent regime would be an easier and better way to deal with this than turning the whole thing on its head by adopting the vicarious liability principle wholesale.

There are plenty of arguments for and against the extension of the section 7 failure to prevent bribery model. I have attended a number of meetings with criminal lawyers who are far more experienced than I am. Indeed, I see one sitting just two Benches in front of me, behind the Minister. My hon. Friend the Member for Louth and Horncastle (Victoria Atkins) will know, as I have come to learn over the past few years since I have taken an interest in corporate crime, that a number of difficulties are created by the failure to prevent model. I will not rehearse them all now, but some of those difficulties were set out on Friday 13 January 2017 in the Ministry of Justice's "Call for evidence" paper, which sets out five options for a failure to prevent regime.

I favour the failure to prevent model over the vicarious liability model because it is already set within our system. The new clauses would not extend the principle but merely extend the ambit of the criminal offences that could come within a failure to prevent system. The provisions will not be brought into this Bill because it is highly unlikely that the Government would accept any of them—albeit they may nod politely at them—when the Ministry of Justice's call for evidence process is still open. However, I hope that the Government will look carefully at the shape and design of the new clauses with a view to considering vigorously whether what we have proposed as a matter of principle is worthy of greater thought.

The intention of new clause 2 is to create a corporate offence of failing to prevent economic crime, as defined by reference to the offences listed in part 2 of schedule 17 to the Crime and Courts Act 2013. Again, I will do my best to be brief. That schedule brought in the deferred prosecution agreement system for dealing with errant companies. I declare an interest, with both capital and small letters, in that not only have I been instructed by the SFO in two of the three deferred prosecution agreements that have so far taken place, but I brought the system into law when I was Solicitor General—at least I began it before I got the sack. There is a cloud in every silver lining, is there not?

Sir Henry Bellingham (North West Norfolk) (Con): Very few in this case.

Sir Edward Garnier: Very few. I am diverting myself, because I deliberately said "a cloud in every silver lining" not "a silver lining in every cloud."

The short point is that schedule 17 to the 2013 Act contains about 50 economic and financial criminal offences that can be dealt with through deferred prosecution agreements between either the Crown Prosecution Service or the SFO on the one hand and corporations—that is to say respondents and defendants that are not human beings—on the other. Those offences are perfectly capable of being moved across into the failure to prevent regime. As I said, section 7 of the Bribery Act 2010 makes it an offence to fail to prevent bribery, and we are about to have an offence of failing to prevent a tax offence, so why not—I ask rhetorically on this occasion—extend the failure to prevent regime across to these other offences? New clause 3 does exactly the same, save that it limits the offences to those set out in its subsection (2).

New clauses 4, 14 and 15 contain provisions suggested by the hon. Member for Newcastle upon Tyne North (Catherine McKinnell) that broadly address the same issue that I am discussing. I will not press new clause 2 to a Division, because these are probing amendments designed to create a public discussion, and I hope that they will inform the Ministry of Justice's discussion paper. I also hope that they will encourage the Home Office and the Minister, with whom I have had some useful discussions about this and other matters to do with the Bill, to consider carefully and positively the extension of the failure to prevent regime.

3.15 pm

The wheels of Whitehall move extremely slowly. Everyone has to be consulted nowadays and nobody is allowed to have an idea of their own without it being beaten up and pushed through the roller by every other Department that thinks it has an interest or half an interest in what somebody else wants to do. People should try to produce a piece of legislation as a Law Officer. Law Officers are not supposed to have any policies; they are simply supposed to sit in a cupboard, the door of which is occasionally opened to get an answer and then shut again with them inside. Fortunately, however, I was able to bring forward deferred prosecution agreements. I hope, as a very much ex-Law Officer, that I will encourage the Government to take a positive view of the principles behind the new clauses, not only because I want that but because they represent an efficient and effective way of assisting the SFO, which is one of the most valuable and effective prosecution agencies in the western world, to do its job of ensuring that both bad people and bad companies are brought to justice. I hope to hear positive things from my hon. Friend the Minister, from whom I have never heard anything else.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): I start by thanking the Security Minister and the Government for responding to the campaign on Scottish limited partnerships in which I have been involved for about a year. We are all grateful that the Government recently announced that they will conduct a review, which means that the amendment that I have regularly been tabling to Bills over the past year is no longer necessary. However, I have found myself having to table a different new clause; I will explain why and why it troubles me greatly that I am forced to do so.

For Members who are unfamiliar with why my colleagues and I have been so concerned about these things called Scottish limited partnerships, let me point out that they do remarkable reputational damage to Scotland and

probably to the UK's financial sector. They are a front for some of the worst international crime, money laundering and hiding of criminal assets to be found. Without going into great detail of how they manage to do that, it might interest the House to know just a few of the types of crime for which they have been used.

SLPs have been at the centre of Ukrainian arms deals, kick-backs and a major Moldovan banking fraud. They have been at the heart of a major corruption scandal in Latvia involving the nephew of Uzbekistan's President Islam Karimov. They have been used to run international mail frauds, including that of a French psychic who has been targeting vulnerable elderly people with offers of spiritual insights for significant amounts of cash. They are involved in a \$1 billion copyright infringement case that is taking place in the United States. They have been involved in criminal activity such as setting up paedophile websites and raising money through such horrible activities. The list goes on and on. SLPs, and other limited partnerships to some extent, have been utilised as a way of hiding billions of pounds of criminal money. Often that money does not necessarily come here, as we find it in tax havens. The legitimisation of a UK or Scottish limited partnership is used as a means of hiding the beneficiaries of such criminal activity.

For those reasons, I am particularly grateful that the Minister has been willing to speak seriously about this. He has done more than any other Minister to move the Government to respond to some of our concerns, so why did I table new clause 10? I did so because SLPs and limited partnerships are based on a 1907 Act, of which probably few people are aware, that amended the Partnership Act 1890, of which even fewer people are aware. By some chance, I sit on the Regulatory Reform Committee, which is so popular that in December it held its second meeting since I joined it in January 2016. Why did we have our second meeting in December? Because we were told that the Treasury was introducing a legislative reform order. And what was that legislative reform order for? At the same time as the Government announced a much-welcomed review of limited partnerships, the Treasury sought to create a new form of limited partnership—private fund limited partnerships—not on the Floor of the House, but through a device that is supposed to be used only for non-controversial matters of legislative reform. I can hardly think of anything more controversial than a mechanism that has been used for international criminal assets and money laundering, but I have even greater concerns.

I will have to leave the debate in about an hour to attend a meeting of the Regulatory Reform Committee to take evidence on the Treasury's proposals—*[Interruption.]* I hear Members suggesting they are jealous, but I am sure that they are not. Under the proposals, there are four areas with which even SLPs have to comply that these new private fund limited partnerships will not. For example, the jurisdiction in which the general partners are registered no longer needs to be divulged. The registration numbers of the general partners no longer need to be divulged. The jurisdiction in which the limited partners are registered no longer needs to be divulged, and the registration numbers of the limited partners, if they are corporations, no longer need to be divulged.

[Roger Mullin]

Not only are we creating a new form of limited partnership, but we are doing so with considerably less regulation than is in place for existing limited partnerships that have been a front for international criminality. As I have such great faith in the Minister for Security, our new clause would require the Home Office to conduct a review before the Treasury introduces any legislation to create a new form of limited partnership so that we can ensure that those limited partnerships will not be subject to the type of criminal abuse and illegality that we have found with Scottish limited partnerships.

There is also a broader question to be answered. Why are this Government using a device such as a legislative reform order to try to quickly establish something in such a controversial area? Surely this is something that should be fully and properly debated on the Floor of the House. That is why, when I go to the Committee shortly, I will certainly not be agreeing that the proposal makes progress. I will do my best to require that this matter is brought back to the Floor of the House so that it can receive proper and urgent scrutiny. In the light of my arguments, I commend new clause 10 to the House.

Nigel Mills: It is a pleasure to speak in this debate. I rise to address the new clauses that my right hon. and learned Friend the Member for Harborough (Sir Edward Garnier) spoke about and new clause 6. I will begin by speaking to the new clauses tabled by my right hon. and learned Friend and the measures tabled by the hon. Member for Newcastle upon Tyne North (Catherine McKinnell), who co-chairs the all-party group on anti-corruption, on the failure to prevent economic crime.

The hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) knows far more about such things than I do, and he made his argument well, but I reinforce the point that there is a strong feeling among the public, because if large companies are seen to be part of some very serious criminal activity, people are confused about why those companies and the senior people within them have not been prosecuted for those serious offences. If people look across the Atlantic, they see that America does manage to prosecute senior bankers for such offences, so they think, "We see all our banks being fined in America for being guilty of rigging various markets, yet why are no senior directors of those companies being prosecuted here? Why are those banks not being prosecuted?" That exposes the fact that our law, as the hon. Gentleman explained, has become out of date. It seems horribly unfair that the Serious Fraud Office finds it comparatively easy to prosecute very small companies and their directors, when it is clear who the controlling minds are, but that when we see far more serious offences being committed by, on behalf of, or for the benefit of much larger companies, we cannot quite find enough evidence to prosecute those companies or their very senior directors.

Mark Field (Cities of London and Westminster) (Con): In the US context, does my hon. Friend accept that there is often a political element there, despite the division of power? The prosecutor is often looking to make a name for himself by taking on a big bank—often, it has to be said, a big non-US bank. It is a particular concern—not just in the banking world but beyond—that

overseas companies tend to be fair game as far as prosecutions are concerned. There is actually a rather different regime there, and it might not necessarily point to a desire and a need for a change in UK law.

Nigel Mills: I agree with my right hon. Friend's point. It is interesting that the United States seems to favour prosecuting large banks and large companies that are internationally owned rather than US-owned. I am sure that the Foreign Office is trying to work out whether that is an unfair, anti-competitive move by the US. He is right that we should not try to read too much across from the US system into ours, but I was trying to make the point that people are confused about why people are prosecuted in the US but not over here.

That takes me back to the point that it seems unfair that while we can prosecute directors of small businesses, we cannot prosecute when we see much more serious offences in large businesses. That is why I support extending the model of the failure to prevent that we already have in place for bribery and that we are adding for tax evasion. We are talking about other very serious economic crimes, and it is hard to make a distinction as to why we would rank some of these offences as less important or serious such that we do not take the power to prosecute so that we prevent serious fraud, for instance.

I welcome the Government's consultation on those issues, and it is right that it would be somewhat premature to legislate before we get the outcome of the consultation, as that might make a mockery of the idea of consulting. It is a real pity that although this Bill is the ideal vehicle in which to act, we cannot, because of the timing, make the change that we want. We will be relying on another relevant Bill being introduced later in this Parliament so that we can finally make the change. As my right hon. and learned Friend the Member for Harborough said, it would be helpful if the Minister would make some encouraging noises about how seriously the Government take such matters and when we might expect to see some progress following the consultation, if the Government were minded to proceed with legislation.

I will take a bit of a leap from that topic to the subject of new clause 6—our grouping is interesting. For quite a long while, I thought that I was supporting Government policy by encouraging our overseas territories and Crown dependencies to adopt the same transparency regarding beneficial ownership that we are putting in place for the UK through the Bill. The previous Prime Minister was absolutely right to make efforts to get those territories and dependencies to agree to having transparent registers. I think that we all welcome the fact that the territories have moved a fair way in agreeing to have registers and reliable information on the beneficial owners of companies operating there. We all congratulate them on that, and look forward to that being in place; we all recognise that it will be a great step forward for various law enforcement authorities to be able to get that information relatively speedily to help prosecutions here. However, that does not go far enough, and we recognise that by saying in new clause 6 that we want a transparent register.

3.30 pm

In our debate on the first group of amendments, the Minister strongly made the case that what attracted businesses to the UK was the rule of law and our

favourable tax regime. I suspect that those are the main advantages that all our overseas territories have—people go there and establish various companies, trusts and so on because they recognise that they have a strong rule of law, which is based on our rule of law, and can get the favourable tax treatment that they want. What we are trying to say in new clause 6 is that those territories can rightly market themselves as advantageous places from which to do business, because they have a stable rule of law and the right tax treatment, but that we do not want them to market themselves as, or to be used as, ways of hiding dirty money and being a way around the rules that we are putting in place, and that other countries around the world have.

We want those territories to have the same transparency as us. When they lobby us and say, “We don’t need to do that, and if we did it before Delaware, Panama or wherever, it would move all these people elsewhere and that would make our business model inviable,” they always seem to add, “We don’t want dirty, corrupt or criminal money in our territory. We take action if we spot that.” I can never quite get the reason why they are so opposed to having a transparent register. If people are not operating in those territories but using entities in them, why are the territories so concerned about having a transparent register that would show that and allow us all to see it? It just leaves a suspicion that they might be getting a bit of money coming through that perhaps ought not to be going there. It would be greatly to the advantage of the reputation of those territories, and that of the UK as a whole, if this transparency were in place. That is why I support the efforts of the right hon. Member for Barking (Dame Margaret Hodge) to draft the new clause and get it in order.

It clearly would not be right for this House to legislate for all those territories—those days passed a few decades ago—but it is clearly right for us to send out a strong message that although there are many advantages to being one of our Crown dependencies or overseas territories, those advantages come with obligations, one of which is that we want those places to be beacons of the right way of doing business and investing, and of attracting the right kind of money. We are saying, “Over the next couple of years, we want you to get these transparent registers. We don’t want to destroy your business model or national income, but we want it to be clear that you are taking clean, legitimate money. There is no reason for those who are operating like that to want to hide.” If any of the territories are acting as a conduit to get money into the UK, we will know who the beneficial owner is, because that will be published here, so one of the main advantages that they have is probably no argument against the new clause.

I feel strongly about this because we are affected when there are stories about money being hidden in these territories. I was in Tajikistan on a parliamentary visit, where a very effective toll road has been built between the two main cities. The only problem is that the revenue from the tolls end up in a British Virgin Islands company. Nobody quite knows who owns it, but let us just say that it is owned in such a way that it is unlikely that the Tajik authorities will be scrutinising it too hard. People say, “It’s you; the UK is allowing our toll money, which we pay, to be stolen and siphoned off to one of these strange territories.” That may or may not be true.

Mark Field: My hon. Friend makes a strong and powerful case, but does he not recognise the distinction between privacy and secrecy? No one wants an entirely secret element, but most people who indulge in banking, whether in an overseas territory or anywhere else, expect a certain amount of privacy. There is no question but that we would expect law enforcement, the police and the tax authorities to have access to these registers. My hon. Friend has been fair in making the point that ultimately a lot of these issues should be constitutional questions for the territories; these measures should not be imposed on them by the UK. On the notion that anyone should have access to that information beyond the authorities I mentioned, as they would in his Tajikistan example, surely he can understand the reluctance for that to happen, particularly in the globalised financial world in which we live, and particularly if the same does not apply elsewhere.

Nigel Mills: I accept that we hear the privacy argument a lot—I am sure that it is made in the UK context as well—but we have taken the decision to have transparent registers so that we know who the ultimate beneficial owners of these entities are. If I think through the scenarios in which people would have a right to privacy, I can perhaps see that there might be a good reason not to publish if there is a real issue of individual safety, but I struggle to find many other situations for which there is a good argument for people being able to establish entities or other bodies in the overseas territories without being clear about who the ultimate owner is. If someone owns a company here or is a shareholder, that has to be public. That transparency exists for any kind of entity here, so I am not sure why a different argument ought to apply for our dependencies. In weighing the right to privacy against the right to ensure that we are not letting dirty, corrupt, criminal money into the system, we have to err on the latter side of the equation.

Mr Wallace: My hon. Friend gave the example of a toll road in Tajikistan. Because of where we are now, with a commitment to central registers and automatic access for our law enforcement agencies to those registers in countries such as the BVI, we could investigate his example and those responsible could be tracked down. Because it is an offence under the Bill to encourage tax evasion, even in another country—I guess the people who siphon off the toll money are not paying taxes in Tajikistan—we could take action if the BVI bank had a British nexus. We have now gone a long way towards tackling that type of crime because of this Bill and where we have got to since David Cameron’s summit.

Nigel Mills: I am grateful to the Minister for making those points, but we should be careful that we do not focus only on one example. There might be good commercial reasons in that case and it might just be a rumour from that country. I was highlighting the question of whether there are sufficient resources in the various law enforcement bodies, either here or elsewhere, to pursue inquiries through the labyrinth of corporate structures that tend to be involved when it comes to the most complex money-laundering or corruption situations.

The advantage of transparency, and one reason why we have chosen to have it here, is that it puts the information into the public domain so that various NGOs or other bodies can do some of the initial

[Nigel Mills]

investigation, piece together the corporate chains and links, break the corporate veils, and thereby work out where this money is coming from and where it has got to. I am a little sceptical that our law enforcement bodies will ever have the resources to start that process in the vast majority of cases. If we can get the information into the public domain and give people the chance to trace it all the way through and find the answers, that new information can be used by the law enforcement bodies. That is what we are trying to achieve, because enabling transparency will make it much harder to hide the money through a complex structure going through multiple territories and however many different trusts and entities.

It is entirely right and welcome that law enforcement bodies will have timely access to information, but that will not be enough to enable the full tackling of this scourge that we would like to see. That is why I support the effort that has been made with new clause 6 to find a way to send a very strong signal to our territories that we want transparent registers. That is the right thing to do and it is the right direction of travel for the regimes in question. We want our territories to take the lead, rather than waiting for everybody else to do something first. Let us set an example and move first, and not wait for the herd.

Caroline Flint (Don Valley) (Lab): It is a pleasure to follow the hon. Member for Amber Valley (Nigel Mills). I almost feel like not making a speech and sitting down now—but I will not—because he made such excellent points about why public registers of beneficial ownership in our overseas territories are so important. I look forward to working with him on this issue and on public country-by-country reporting, as well as with the many other colleagues from both sides of the House and from eight political parties who support new clause 6. Despite some Government pressure, several Conservative MPs support the new clause, including the former International Development Secretary, the right hon. Member for Sutton Coldfield (Mr Mitchell), who I understand hopes to catch your eye, Madam Deputy Speaker. I also pay tribute to my right hon. Friend the Member for Barking (Dame Margaret Hodge) for her hard work on this important amendment. I am really sorry—and she is too—that she cannot be here today to speak in this debate. I hope that, on this occasion, Members will not mind me dubbing new clause 6 “the Hodge amendment”.

I welcome the Government's Criminal Finances Bill. Its aims of tackling corruption, tax evasion and terrorist financing are really important and should be commended. However, the absence of any mention of the overseas territories is remarkable. As Christian Aid has said, the No. 1 thing that the Government can do to tackle corruption, money laundering, and tax evasion is to ensure transparency in their overseas territories. Unfortunately, the secrecy that those territories trade in facilitates the corruption and the aggressive tax avoidance and tax evasion that we are all trying to stamp out.

The amendment is supported by the all-party groups on responsible tax and on anti-corruption, Christian Aid, Global Witness, Transparency International, Action Aid, Publish What You Pay, Save the Children, Oxfam and many others. We all know from numerous polls that this matter is something that the British public really

care about. Two thirds of them want the Government to insist on public registers of beneficial ownership in the overseas territories.

As the hon. Member for Amber Valley mentioned, we have, with this amendment, responded to concerns raised earlier at different points of debate on this Bill. We are focusing purely on the overseas territories where the constitutional issues are more clear cut. We recognise that the overseas territories are taking steps towards private registers of beneficial ownership, so we have allowed a generous timeline for them to move from that to make these registers publicly accessible.

The overseas territories need to have these private registers in place by June of this year. This amendment would give them another two and a half years after that, which is within the lifetime of this Parliament, simply to make those private registers public. Such a move would be a major step forward.

New clause 6 is important not only for us in the UK, but for developing countries, which is why so many NGOs are supporting it. According to the UN Conference on Trade and Development, developing countries lose at least \$100 billion every year as a result of tax havens. Around 8% to 15% of the world's wealth is being held offshore in low tax jurisdictions, many of which come under our jurisdiction. A World Bank review of 213 big corruption cases found that more than 70% of them relied on secret company ownership. Company service providers registered in UK territories were second on the list in providing these companies. Oxfam has said recently that around one third of rich Africans' wealth is currently sitting in offshore tax havens. If all that wealth was held in Africa and taxed properly, we would be able to pay for enough teachers to educate every child in Africa.

It damages our reputation, as the hon. Member for Amber Valley said, that the British Virgin Islands was the most mentioned tax haven in the Panama papers. We know that future leaks are coming, so why cannot we get ahead of the game and ensure transparency now?

In a recent debate on the Commonwealth Development Corporation Bill, the Minister of State, Department for International Development, the hon. Member for Penrith and The Border (Rory Stewart), said that the CDC would never invest through Anguilla or the British Virgin Islands. If a DFID Minister and the CDC can say that, what does it say about our responsibility today to change that reputation—British Ministers are clearly considering this—and do something to help those territories become more transparent?

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): My right hon. Friend is making an incredibly strong point. I, too, was pleased to add my name to new clause 6—I am sorry that I have not been able to join her for much of this debate. Does she agree that this is all about the consistency of approach? We talk about trying to reduce the need for aid in certain countries, and a key way in which to do that is to ensure that countries can generate their own revenues by having tax paid properly in their own jurisdictions?

Caroline Flint: I absolutely agree with my hon. Friend and I thank him for his support and for putting his name to new clause 6. Aid is important, but more

important is the question of how to create self-sufficiency so that more countries that are recipients of aid can stand on their own two feet. Transparency regarding overseas territories and our own system is an important part of that, as is good governance in the countries in question. Unfortunately, some countries to which we supply aid could do a hell of a lot more to help their own citizens. This is an area where we can have a direct impact and start making significant changes right now.

3.45 pm

Sadly, we have seen a somewhat disappointing climb-down from Ministers in recent weeks. The Government's new line is that as public registers emerge as the global standard, they would expect the overseas territories to follow suit. I applaud the fact that the UK Government have made considerable progress on this agenda but although the UK is 15th on the financial secrecy index, when combined with our overseas territories and Crown dependencies, we are at the top of the list. We cannot hide from that. Other countries probably use that fact as an excuse for not adopting public registers. We should be aware that we are bound to the overseas territories and Crown dependencies in such a way that other countries in which we want to see progress can use it as an excuse not to take steps forward on this important matter.

David Cameron deserves praise—I do not often say that—for his leadership at the 2013 G8 summit, yet we cannot claim global leadership in this area until we get our own house in order. Why is it so important that the registers are publicly available? First, that is the only way in which people in developing countries can access the information properly. Secondly, beyond the law enforcement agencies, which will have access as a result of progress that has been made, public registers will allow NGOs and civil society to interrogate the data as they have with the Panama papers. Transparency is far more efficient than endless systems of information exchange between Governments.

Stephen Doughty: Does my right hon. Friend agree that there is a conflict here? On the one hand, different Labour and Conservative Governments have been very sensible in supporting tax systems and tax authorities in many developing countries. However, if transparency of information—on companies, how they are incorporated and so on—is not available, even if we are giving them support, they cannot get to the bottom of where their taxes are actually going.

Caroline Flint: If we do not have the tools to make the difference, we are not going to see the change that I think everyone across the House wants to see. Without full access to transparent information, investigators will not know what information to request through these agreements, and that is fundamental. That is why public access to the data is important and why David Cameron was exactly right to demand it.

When the Minister responds, I expect him to say that the overseas territories are making real progress on this agenda and that including them in the legislation is not necessary. Let us be clear about the progress that has been made since the former Prime Minister first asked the overseas territories to consider public registers of beneficial ownership back in October 2013. More than

three years on, just one overseas territory, Montserrat, has committed to a public register. Hooray for Montserrat! The rest have delayed at every step. Is the Minister satisfied with that outcome, and how does he account for why progress has been so slow?

In April 2014, the then Prime Minister wrote to overseas territory leaders, asking them to consult on public registers. Not all of them even did that. In July 2015, the current Chief Secretary to the Treasury, the right hon. Member for South West Hertfordshire (Mr Gauke), asked those overseas territories with financial centres to develop plans for central registers by November 2015. That deadline was not hit. Press reports last year said that the overseas territories were ignoring Foreign Office Ministers' letters and meeting requests. At the most recent meeting with overseas territories' leaders in November 2016, public registers of beneficial ownership were not even mentioned in the final communiqué. That raises the question whether we would have made as much progress as we have if the Panama papers had not been released.

Mr Wallace: The right hon. Lady is not being very charitable. Actually, we have achieved an awful lot since David Cameron's summit. While the registers are not public, we will this year achieve a central register of beneficial ownership in all the overseas territories and Crown dependencies, and where they have needed help in getting there, we have given them help. The hon. Lady said that the issue of the public register had not even been raised. I can tell her that I had a meeting with the overseas territories and Crown dependencies two weeks ago, and I raised it then.

Caroline Flint: I thank the Minister for that information, because I did go and read the final communiqué from the meeting in 2016, and while there was some mention of beneficial ownership and private registers, nothing in the communiqué mentioned any journey from private to public registers—the point I made a little earlier. I do welcome the progress that has been made, but, as I will go on to suggest, unless we link the efforts being made on private registers to the endgame of public registers, I fear that we will still have some of the problems that so many people on both sides of the House and outside it have been worried about for some years.

Mark Durkan (Foyle) (SDLP): The Minister has just told us that he did raise the issue of making the register of ownership public. If he was prepared to raise that issue two weeks ago, and if he is prepared to adopt that role of encouragement, would it not be better for him if he was supported in future by this Parliament through the very new clause we are debating?

Caroline Flint: I thank the hon. Gentleman for his intervention. Part of having this debate, and part of looking at ways to rephrase the original amendment, is about strengthening the arm of Ministers to say, "Look, we welcome the efforts on central registers, private registers and the automatic exchange of information, but we are on a journey. This is not the endgame; this is part of a journey to where we want to get to." It would be helpful to hear from the Minister what the reaction was to the discussion of public registers at the meeting he mentioned.

[Caroline Flint]

The issue of central registers is important because, while there may be private registers, information may be held in different places. Private central registers are important because it helps to make things clearer, even in the private situation, if those who ask for information are able to get it. Also, if we do not have central registers, it will be even harder to make that journey to public registers if we want to do that in the future.

So how many of our overseas territories will provide central registers? Will the British Virgin Islands register be central? Not all of the overseas territories have indicated that this is the route they want to go down. That is why Ministers should be talking to them now about the journey to public registers. This is about the journey we are on. The way the private registers are put together, how they are held and how easy it is to access them for those who are going to have to ask for access are all pertinent to a future where public registers are available.

When the Minister responds to the new clause, I expect him to say how complicated this all is constitutionally. None of us who has signed the new clause wants the Orders in Council to be used. They are there as a backstop if the Government are unsuccessful in persuading the overseas territories to publish their registers. As I have said before, the new clause gives the overseas territories until the end of 2019 to act on their own.

However, the fact is that we cannot remove the possibility of using Orders in Council if we want to see more progress on the transparency agenda. The constitutional position on the overseas territories is very clear. A 2012 Government White Paper said:

“As a matter of constitutional law the UK Parliament has unlimited power to legislate for the Territories.”

There are multiple examples of the UK legislating for its overseas territories. In 2009, the UK imposed direct rule in the Turks and Caicos Islands, following allegations of corruption. In 2000, the UK Government decriminalised homosexual acts in the overseas territories using Orders in Council. In 1991, the UK Government, by Order in Council, abolished capital punishment for the crime of murder in Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat, and the Turks and Caicos Islands. The exception was Bermuda, which is generally considered the most autonomous overseas territory, but the UK Government threatened to impose change, which had the desired effect of ensuring changes in domestic legislation.

On Second Reading and in Committee, the Minister was very clear that he wanted to see public registers in the overseas territories and was working to get them, so why has he scaled back on his ambitions in recent weeks? Undoubtedly, the UK Government need to work closely with our overseas territories to help them to diversify their economies away from a unique selling point of secrecy, and that will require a great deal of support.

As we look ahead to a global, post-Brexit Britain, let us seek to lead the world rather than just follow. Let us ensure that transparency is increased. Let us ensure a fair playing field for businesses and individuals across the world. Let us ensure that tax cheats, corrupt individuals, terrorists and organised criminals have nowhere to hide. For the benefit of UK taxpayers, for people in the developing world, and for the UK's reputation and that

of our overseas territories, let us not miss this opportunity. For all these reasons, I urge the House to support new clause 6.

Mr Mitchell: New clause 6 is an important probing amendment. I very much look forward to hearing what the Minister says before I decide whether to vote for it. One of the most important aspects of the Bill is tackling corruption and standing up for openness and transparency. The Government deserve enormous praise for the work that they have done—landmark work, really—not only here but in the G20, in trying to tackle corruption. That is what this new clause is about.

Conservative Members join the right hon. Member for Don Valley (Caroline Flint), who spoke to the new clause very eloquently, in saying how much we regret that the right hon. Member for Barking (Dame Margaret Hodge) cannot be here today. Given the reason for that, I hope that she will send the right hon. Lady the House's best wishes. I should correct her on one point. She said that Back Benchers signing this new clause might have been leant on by the Government or were signing it in spite of being leant on. I am happy to confirm to the House that no one has tried to lean on me in this respect.

I think that the Minister will have to do a little better than in his response to my hon. Friend the Member for Amber Valley (Nigel Mills) on his Tajikistan bridge example, because my hon. Friend was absolutely correct. The Administration of Tajikistan may well be colluding with the owners of the bridge, but that is not the point—the point is to enable civic society to hold the powerful to account. That is why we support transparency. That is why, when I had the privilege of being Secretary of State for International Development, we introduced the transparency initiative. We put everything we possibly could into the public domain. It is why we should all support a free press. Although it may be rumbustious and unruly from time to time, a free press is nevertheless a bastion of our liberties. Sunlight is the best disinfectant. A lot of the stuff that is the subject of this new clause leaks out anyway in the back pages of *Private Eye* or whatever. It is much better to put the whole thing on a formal setting and have it made public. The Government, particularly the former Prime Minister and the former Chancellor, my right hon. Friend the Member for Tatton (Mr Osborne), and my right hon. Friend the Member for Brentwood and Ongar (Sir Eric Pickles) in his capacity as the anti-corruption tsar, have made huge progress on this.

Will the Minister give us the flavour of the Government's thinking on the slightly differing treatment of the overseas territories and the Crown dependencies? It would be helpful for the House to understand that. During the run-up to the tabling of this new clause, I was visited by officials of no fewer than five of the dependent territories, supported by the Falkland Islands, although I think that that was a matter of solidarity rather than direct interest. They made some very important points, which no doubt we will hear about from my hon. Friend the Member for North West Norfolk (Sir Henry Bellingham), who chairs the all-party British Virgin Islands group. First, they say that if they have an open public register, they will suffer a competitive disadvantage—and that is true. Their answer is that if they are going to do it—they do not have an objection in principle to doing so—they think that everyone else should do it as well.

They point out that the potential effect on their income, which could reduce quite substantially, might well push them back into dependency. That is a fair point. The Government's answer should be to try at all times to narrow the footprint of the areas that can hide behind secrecy.

4 pm

Certainly, it is a step forward to have a register, albeit not a public one, but we need to hear from the Government how long they intend to allow the register to remain private and whether they expect the dependent territories and the Crown dependencies to make the register public in due course. If the register remains private, although it may be accessible to law enforcement agencies—that is, obviously, right—crime fighters will be confronting corruption with one hand behind their back. Under British law, we completely accept the argument that allowing law enforcement agencies to see all the entries makes the fight against crime and corruption much easier. That is why in the UK we have a public register. I hope that the Minister will explain to the House how he thinks progress will be made towards a public register, and whether he is saying that the Crown dependencies want more time—a point that their representatives made when they came to see me—or whether he takes a different view.

Finally, the Africa Progress Panel looked recently at the extent of the siphoning off of revenue from the Democratic Republic of the Congo. It is a rich irony that in the DRC some of the poorest people in the world live on top of some of the richest real estate. The Africa Progress Panel identified nearly £1.5 billion of lost revenue—more than the country's total health and education budgets during the period in question—in the area at which it looked. According to credible studies by the World Bank, the extent of the money stolen or concealed as unpaid tax in Africa each year dwarfs the totality of the flows of international aid and development money. The House today has the opportunity to go with the grain of the Bill, and with the grain of British leadership internationally, on transparency and openness. Unless the Minister has a very strong argument—he is the sort of Minister who may well have—the effect of our saying that we will not impose the same standards on dependent territories, with all the advantages that they gain from that status, will be to damage our credibility on these matters not only here in Britain but internationally.

Robert Neill (Bromley and Chislehurst) (Con): It is a pleasure to follow my right hon. Friend the Member for Sutton Coldfield (Mr Mitchell), who speaks with great authority and commitment on these matters. I will come on to a practical matter on which I disagree with him, although I do not disagree with the objective that he seeks to achieve.

I endorse the thrust of the Bill, as my right hon. Friend has just done, and the observation—it is worth repeating, and it is all the more important as we look towards the world as it will be after we have left the European Union—that Britain is a world leader in transparency and effectiveness at dealing with financial crime. My right hon. and learned Friend the Member for Harborough (Sir Edward Garnier) was right to stress the value of the Serious Fraud Office's work. It is extremely successful and highly regarded the world

over, not least because it is operationally independent of any investigating authority. Many of us believe that it would be quite wrong to do anything to change that arrangement. The SFO works well as currently constituted, and it has an international reputation as a leader precisely because of that important independence.

I turn to new clause 6. I have much sympathy with what the right hon. Member for Don Valley (Caroline Flint) has said, but I do not think that new clause 6 is an appropriate or proportionate way to achieve the desired objective. Let me set out why. Before I do so, I should declare an interest as the secretary of the all-party group on Gibraltar, one of the British overseas territories, and I am also a member of the all-party group on the Channel Islands, which are Crown dependencies. Crown dependencies are not covered by new clause 6, but they are covered by other new clauses.

My concern is that the way the argument is put assumes that all the overseas territories should be lumped in together, which I do not think is fair. I particularly want to address the position of Gibraltar. Its position is different, first, because of the nature of its constitution and, secondly, because unlike other overseas territories—I do not criticise or make any comment about them—it is, in effect, part of the European Union. As part of the European Union, it has had to comply, and has done so willingly, with international and EU standards in the same way as the UK.

It is important not to lump Gibraltar in with other jurisdictions where there has been controversy. I say that specifically—it is important for the House to have this on the record—because I am afraid that some politicians on the other side of the land border in Spain unscrupulously seek regularly to slander Gibraltar and its constitutional and legal arrangements, doing so wholly unfairly to advance an unjustified claim against Gibraltar. I would not want anything said in this House in any way to give comfort to people seeking to do down a loyal and effective British territory, so we need to draw such a distinction.

There is a twofold point to be made about Gibraltar. Although I accept the 2010 White Paper's observations about what can be done, I argue that it is undesirable to contemplate legislating, certainly in Gibraltar's case, because to do so, even by Orders in Council, would have the effect of abrogating the 2006 Gibraltar constitution. The constitution gives Gibraltar, and the democratic and elected Gibraltar Parliament, entire home rule in matters relating to its economy and domestic legislation, save only those matters reserved to be exercised by the Governor on behalf of the British Crown.

Caroline Flint: I thank the right hon. Gentleman—

Robert Neill: Not yet.

Caroline Flint: I apologise to the hon. Gentleman, who should be “right honourable”. I absolutely agree that it is very welcome that Gibraltar has complied not only with the EU initiative, but with the OECD as well. I would gently ask him, however, why Gibraltar is not in favour of following the UK route of having a public register of beneficial ownership?

Robert Neill: The reason was very properly and sensibly set out by my right hon. Friend the Member for Sutton Coldfield. There is a risk of a competitive disadvantage,

[Robert Neill]

and as I have said, we must bear in mind the situation in which Gibraltar finds itself. I suggest it would be inappropriate for it to be at a competitive disadvantage compared with other Mediterranean jurisdictions, some of which are not well disposed towards it.

Gibraltar has done a great deal, and continuing dialogue is a sensible way forward. It would not be appropriate to legislate, particularly as undermining Gibraltar's constitution, even if it was legally possible theoretically—I suspect it would be challenged in the courts—would be most undesirable politically, because our commitment to Gibraltar must be made particularly clear as we leave the European Union.

It is worth adding that Gibraltar has taken very considerable practical steps and has been recognised internationally for doing so. It is worth simply saying that it has transposed all the necessary EU directives into its law—perfectly willingly, without any difficulty and of its own volition—and it has also complied with all OECD initiatives in this regard. It has gone beyond that to establish a central register, under the terms of the fourth anti-money laundering directive, for which the deadline is this June. It has entered into an exchange of notes to accelerate access to all UK authorities for investigative purposes. It has agreed to the EU5 proposal for the automatic exchange of beneficial ownership with participating countries, covering all EU countries, including Spain. Gibraltar has therefore been extremely willing to co-operate, even with countries that do not always behave well towards it, and that needs to be recognised. The Gibraltar Government are actively looking at the 5 July 2016 EU proposal to amend the fourth anti-money laundering directive by introducing a register, and that ought to be their decision. As I think the Minister would confirm, Her Majesty's Government have worked very closely with Her Majesty's Government of Gibraltar on this issue. A constructive dialogue is taking place, which is the right way to deal with it.

Finally, before I move on to Crown dependencies, it is worth saying that Gibraltar's record of effectiveness in the exchange of information was recognised by the 2014 OECD "Phase 2" review, when it was ranked as largely compliant. That is actually a very high ranking, which ranks Gibraltar as being as good in terms of compliance as the United Kingdom, the United States and Germany. Gibraltar, therefore, is doing the job. That really needs to be stressed, so that others do not misuse the linkage, which, in Gibraltar's case, is not borne out by the evidence: it has some 135 tax information exchange mechanisms with some 80 countries; it has already implemented the Financial Action Task Force recommendations with the United States and the United Kingdom; and it is implementing common reporting standards, the global standard, along with the UK and other countries. I therefore suggest it would be heavy-handed and inappropriate to involve Gibraltar in this approach when it is already doing so much.

I would like to touch on the Crown dependencies, as did my right hon. Friend the Member for Sutton Coldfield. Frankly, I think the constitutional position is more difficult because they are not, and never have been, subject to the United Kingdom. Their allegiance is purely to the British Crown, not the United Kingdom. The difficulty of attempting to legislate for them would be real and profound in constitutional terms. That is

why the relationship falls under the Ministry of Justice and their legislation is signed off by the Privy Council. The new clauses that seek to bring them into the position here are not well-conceived legally in that regard. That is the key issue.

It is also worth observing, since the Justice Committee recently visited all three Crown dependencies as part of an inquiry, that they, too, are up to the highest standards of reporting and ensuring information is readily available to the authorities. It is worth saying in relation to Jersey, but it applies to them all, that a report by Moneyval, an established body of international repute, stated:

"Jersey's combination of a central register of the UBO with a high level of vetting/evaluation not found elsewhere and regulation of TCSPs of a standard found in few other jurisdictions has been widely recognised by international organisations and individual jurisdictions as placing Jersey in a leading position in meeting standards of beneficial ownership transparency."

Similar provisions, in different legislative forms, have also been made in the two other Crown dependencies. Again, it would be unfair, inappropriate and disproportionate to lump the Crown dependencies in with this issue.

We all share the same objective. We want to make sure there is maximum transparency and honest money in our system. For the reasons I have set out, however, I hope those who support the new clause, and other new clauses that have not yet been moved, will reflect and conclude that this is not the appropriate legislative vehicle to achieve that objective.

Sir Henry Bellingham: I, too, would like to say a few brief words on new clause 6. I declare an interest: I chair the all-party British Virgin Islands group and I am a former Minister with responsibility for the overseas territories.

I am well aware of the challenges in Africa. My right hon. Friend the Member for Sutton Coldfield (Mr Mitchell) mentioned the Democratic Republic of the Congo. He and I will remember when Tullow Oil had its licences expropriated by the Kabila Government. It transpired that the interface company was a BVI-registered shell company in which Kabila, and part of Zuma's family, had shares. It would have been very useful if we had been able to confirm that at the time.

I entirely accept that looking to the future and envisaging public registers across the world makes a lot of sense. What I am very worried about—this is the only point I am going to make—is that if new clause 6 is passed and territories like the BVI lose their business model, there would be a massive exodus by legal services, accountancy firms, banks and so on. They would have to then rely on tourism, and it could well be that they move back to being dependencies.

The other issue is this: would it solve the problem? No. The companies registered in the BVI, the Cayman Islands or the Turks and Caicos Islands would simply register elsewhere in countries that do not have public registers. They would go to Panama or Colombia. Indeed, I saw recently that the United States, Hong Kong and Singapore have said specifically that they will not bring in public registers until the rest of the world moves on. New clause 6 is well intentioned, but we should be very mindful of the unintended consequences.

Apart from the BVI losing its business model, those unintended consequences would include, above all else, the loss of some excellent intelligence and exchange of

information arrangements. For example, the BVI has in place a beneficial ownership secured search system that enables our crime and fraud agencies to co-operate immediately and confidentially to get the information required. If these companies were registered elsewhere in the world, we would lose that crime-busting capability.

4.15 pm

For those reasons, I hope that the Minister will reject new clause 6, well intentioned though it is, and instead work with right hon. and hon. Members concerned about this whole issue and make sure that in due course we persuade more and more countries around the world to work together and ensure a uniform approach in the future.

Nick Herbert (Arundel and South Downs) (Con): I rise to support new clause 6, to which I added my name in the full confidence that I was merely endorsing what I understood to be Government policy on ensuring transparency on these matters in the overseas territories, that policy having been announced by the previous Prime Minister. I find myself genuinely puzzled, therefore, about why that is apparently no longer Government policy, and I wish to raise some issues and put some questions that I hope the Minister can answer so as to reassure me and other hon. Members who have supported the new clause in good faith that there are good reasons why it should not go forward.

First, I thought that the argument about transparency had been established. My right hon. Friend the Member for Cities of London and Westminster (Mark Field) suggested that transparency would, in itself, be an undesirable thing for the overseas territories to have to undertake, but it seems to me that we might well have applied that argument to the position in the UK. Had we accepted that argument, we would not have taken action here in the UK to require transparency.

Mark Field: It is fair enough that I be allowed to defend myself. I was making the point that while I favoured full transparency towards law enforcement agencies and the tax authorities, I did not support there being a full, open and public register at this stage, because I supported the idea of banking privacy.

Nick Herbert: I am grateful to my right hon. Friend for clarifying what he said, but my point still stands, which is that we have taken action in the UK to require such publication. Why is it right in the UK but wrong in the overseas territories? That was the point I was seeking to make. Perhaps the Minister can explain.

Secondly, I understand that constitutional objections have been raised to the new clause. The argument is that it would be wrong to insist that the overseas territories take action. If so, why did we propose it in the first place? As a result, hon. Members like me now find themselves on the wrong side of the Government's opinion, when we thought we were supporting a policy in our manifesto. If there is a constitutional objection, was it not surprising that the previous Prime Minister announced the policy of transparency for the overseas territories?

Is it even right that the British Government never impose policies on our overseas territories? In 2000, the Government, by Order in Council, decriminalised

homosexuality in the overseas territories. I doubt that many Members would oppose that policy, although I suspect it was opposed in many of the overseas territories. Do hon. Members say that the British Government were wrong to do that? Murder might still be a capital offence in some of the overseas territories had the Government not insisted on the abolition of such capital crimes in 1991. The principle is established that the Government are constitutionally entitled and have in practice, where there is an overriding public policy justification, legislated in relation to the overseas territories.

The third argument advanced against this measure is that the overseas territories are doing it anyway. We are told that it is not necessary to back new clause 6 because the overseas territories are well on their way to doing the right thing, but that takes us back to the question of what it is that they are doing. If they are producing registers, that is welcome, but my question still stands: why did we think transparency was a good thing, but now no longer believe that it is a good thing? We have reset that bar. We are now saying that the overseas territories are on their way to doing the right thing, but the right thing is now defined merely as the register, and it is no longer transparency.

I think the reason this has happened has been revealed by some of my hon. Friends for entirely honourable reasons, and it is that some of these overseas territories and therefore some of my hon. Friends fear that there will be a competitive disadvantage for the overseas territories if they are required to produce a public register as the new clause suggests, in the way they will eventually be required to do, and as the Government suggested at one point that they should.

However, let me say simply that if we accept the argument that being at a competitive disadvantage is an obstacle to taking measures against tax evasion or corruption, this House would do very little on those issues. It can always be argued that we could be putting our own banking arrangements or those of other countries at risk by taking steps deemed to be in the public interest on the grounds that they could produce corruption. To turn that around, if we accept the argument on competitive disadvantage, there would be no reason why the House should not reverse all the measures taken on banking transparency and establish some sort of regime that used to pertain in countries like as Switzerland where there would be wholesale banking secrecy, because that would be good for business and it would place us at a competitive advantage by comparison with other countries. It could be argued that such a thing would be entirely acceptable.

Clearly, that would not be acceptable. We have taken the opposite view: there is a reason to demand transparency and that transparency is essential in order to tackle corruption. We are talking about measures that are necessary to protect not just the UK taxpayer but the poorest countries in the world, which are disadvantaged and penalised because people are able to siphon off funds unlawfully and immorally and shelter them in various regimes. We are apparently saying that we are willing to accept that, because if we take action against it, some other regime will perform that immoral task. That seems to me to be a wrong position for the House of Commons to take, and if it were accepted, we would not have a Bill such as this one or any transparency measures at all.

[Nick Herbert]

I therefore hope that the Government will reconsider their position. New clause 6 is entirely reasonable, providing a period of time for the overseas territories to comply with the transparency requirement. I, for one, will take a great deal of convincing that something that was held by the Government to be desirable and that we hold to be desirable and right in our own country is wrong for the overseas territories.

Mark Field: I have spent the last 16 years as the Member for Cities of London and Westminster, and six of those years as an adviser to an international law firm with a substantial Isle of Man presence—Cains. Over the last two years, I have been the vice-chairman for international affairs for my party and have therefore had many dealings with and much knowledge of these sorts of issues.

I fervently agree with the right hon. Member for Don Valley (Caroline Flint) and my right hon. Friend the Member for Sutton Coldfield (Mr Mitchell) that there has been a significant journey—indeed, a massive change—with respect to the mentality around beneficial ownership, getting registers together and having a certain openness about those registers. It is a journey that is ongoing.

I think it realistic to believe—my hon. Friends the Members for Bromley and Chislehurst (Robert Neill) and for North West Norfolk (Sir Henry Bellingham) presented some powerful arguments in this regard—that there is a real risk of competitive disadvantage applying to a number of the overseas territories. As my hon. Friend the Member for Bromley and Chislehurst pointed out, and as was recognised by the right hon. Member for Don Valley, the Crown dependencies are in a different legal and constitutional position. They are not part of the United Kingdom. They have their own legitimate and democratic Governments, and I think it would be quite wrong for the Government to railroad them, whether by means of Orders in Council or through the Bill.

My instinct is that we shall return to these issues. I support the Government: I do not think that the time is ripe for a provision such as new clause 6. It would, however, be wrong to assume that a huge amount of work has not been done quietly behind the scenes. I know from my own experience, and the experience of many other people, that in recent years there has been a sea change in the attitudes of a number of the overseas territories, and certainly in those of the Crown dependencies, many of which are ahead of the game when it comes to elements of the transparency agenda. I think there is a real risk—which was very well described by my hon. Friend the Member for North West Norfolk—that if we were to impose this provision on the overseas territories in such short order, a huge amount of business would leave those shores. Some would say, perhaps with some legitimacy, “We do not want to have this business here.”

I believe that we should continue the work of recent years, and consider global protocols that would prevent competitive disadvantage from coming into play. Surely that would be a better regime. I think it entirely wrong to perceive all our overseas territories as terrible tax havens where illicit work goes on. They have an astonishing amount of technology, which I have seen at first hand in, among others, the British Virgin Islands

and the Cayman Islands, to enable them to co-operate instantaneously with law enforcement and tax authorities in the event of any suspicious transactions.

I hope that new clause 6 will not be pressed to a vote, or that the Government will win if it is. However, I also hope that the Minister will give us some idea of how he sees the future, given the ongoing conversations about a global protocol that we could all support.

Richard Arkless: It is an honour to follow the right hon. Member for Cities of London and Westminster (Mark Field). His homeward commutes on Thursday evenings fill me with the utmost envy. Perhaps he would enjoy my regular seven-hour journeys up and down. However, he made a very interesting speech. Indeed, the contributions from Members on both sides of the House have been very informed and enlightening.

I do not want to take up too much time, but I want to touch briefly on some of the new clauses before I hand over to the other Front Benchers. New clauses 2, 3, 14, 15 and 4 extend the principle of corporate economic crime, which has been discussed at length today. The Bill incorporates a failure to prevent such crime, but only in relation to tax evasion. As others have said, it would appear sensible, given the current climate and the public mood, to extend that provision so that the liability reaches the tops of organisations.

I have mentioned this in the House before, but, as a lawyer who had some in-house experience working for a large retail bank, I can say with the utmost certainty that sticking one's head above the parapet and telling the bank that it is wrong is not the course of action that is most conducive to one's career. I did not fall foul of that myself—I avoided that particular pitfall—but I think that I probably would have done so at some future time.

I think the public would demand that the concept of corporate economic crime be extended beyond tax evasion. I think they would be surprised to learn that the bank would not be held liable for LIBOR-rigging, for instance. Of course, the individuals concerned were prosecuted under different laws, but there was no corporate criminal liability for the boards of directors or for the banks themselves. I do not think the public would thank us for a corporate economic offence that extended only to tax evasion. It is tax evasion, for goodness' sake. I think the public would expect companies such as banks and other large organisations to be held criminally liable for something as obvious as tax evasion. It is a great shame that the Bill has not grasped the nettle. The Minister may, of course, have something miraculous to say. I suspect, however, that we are not going to have an extension of corporate economic crime, which is a real shame.

4.30 pm

Even if it were to come to pass, I would still have issues about some of the provisions in the failure to prevent model. If a bank can show that it had reasonable processes and protocols, that is an absolute defence. There is also a defence if, in the circumstances, it is deemed that the bank ought not to have any reasonable processes in place. I know from bitter first-hand experience of commencing litigation against banks that in the eleventh hour they will miraculously pull together volumes and volumes of training manuals, protocols and processes that seemed completely absent when the alleged offence

was being committed to convince the judge that they have all the processes necessary. Call me a cynic, but even if the failure to prevent was extended along the lines of the incorporated new clauses, I still think there is an opportunity for a bank to—to put it in colloquial terms—wriggle out of that potential responsibility.

I do not have a great deal to add to what has been said on new clause 6, which we will support. We are pleased that the Crown dependencies are not part of new clause 6. Given that I am a Scottish National party MP, it is part of my political definition that I do not want this place to legislate on places or jurisdictions where it does not have authority. We understand that there is more of a case for the overseas territories, and we will support the amendment on that basis, but the Chair of the Select Committee on Justice, the hon. Member for Bromley and Chislehurst (Robert Neill), was absolutely right to make the distinction between, for example, Gibraltar and the overseas territories. Throughout this process I have been puzzled about why Gibraltar is considered an overseas territory and not a Crown dependency; that is probably not within the Minister's remit, but it has occurred to me over the last few months.

Transparency is key. If this Government's policy is transparency and we all agree that transparency would facilitate a fairer banking and financial system, there ought to be no good reasons why those jurisdictions should not have public registers the same as we have. But I corroborate other Members' views that that is the clear direction of travel. Whether or not it is right to legislate to compel jurisdictions over which we perhaps do not have authority is another question, but on the basis of transparency and the fact that I think it reflects the public mood, we will support new clause 6.

New clause 11 asks the Government to go through a consultation process to persuade and cajole the Crown dependencies to adopt legislation that, frankly, ought to be determined by their own Parliaments in their own jurisdictions. New clause 6 is easier to deal with as it deals with transparency and things we really want to get done, but new clause 11 seems to be a wish-wash of "Let's have a chat with them," and "Let's see if we can persuade them to do anything," when that really ought to be up to them, as it ought to be up to the Scottish Parliament, and up to the Welsh Parliament or whatever jurisdiction holds those powers. I therefore would have constitutional jurisdictional problems with new clause 11, but, again, I accept the basis behind it. However, I think we will find that as time goes on the overseas territories and Crown dependencies will be willing to have that conversation about the effectiveness of their registers.

We have tabled three new clauses in this group. The first is on Scottish limited partnerships, and I have nothing to add to what was said by my hon. Friend the Member for Kirkcaldy and Cowdenbeath (Roger Mullin), who is no longer in his place as he had to go to the second meeting of the rather popular Committee he mentioned. He articulated the case very well. It would be our intention to press new clause 10 to a vote this evening, but that will turn completely on what the Minister has to say when summing up—so, no pressure, and we look forward to hearing what the Minister has to say, or we will, without question, press new clause 10 to a vote.

New clause 19 gets to the heart of the issue surrounding criminal finances: what I would describe as the responsibility-shedding, banking sales-driven culture that we have in the UK. The banks are the facilitators of criminal finance; they facilitate all the wrongdoing in the financial system. The reason we had the crash in 2007-08 was that the pendulum had swung from banks being professional organisations looking after their clients' interests to being completely sales-driven, profit-seeking organisations. I think the pendulum has swung too far, and it was the swinging of that pendulum that created the mess almost 10 years ago. Unless we deal with that culture, we will not be able to deal properly with the facilitating that big companies and banks can give to criminal finances. It is a shame that that opportunity has not been taken in the Bill.

Not long after I was elected to this place, I was dismayed to learn that the Financial Conduct Authority had withdrawn its promise to look into the banking culture. Why? That was the most obvious thing to do if we were to clean up the financial system. The public were demanding it, and I think that business ethics were demanding it, and I simply cannot understand why neither the FCA nor the Government would carry out a review into the very thing that had facilitated the crash and that could indeed facilitate another crash if we are not careful.

Our new clause 18 deals with protection for whistleblowers. Given what I understand about the culture of banks, I know that it is very difficult for a bank employee to put their head above the parapet. People who work in those organisations and who have information that law enforcement agencies could use to address and pursue criminality should have protection. Quite simply, if anyone in a bank raises their head above the parapet and tells all and sundry that the bank is committing or facilitating criminal finance acts, their career is over, not only in that bank but more generally in the financial services sector. The consequence of honesty and transparency should not be that such people lose their jobs and their livelihoods. There should be some form of protection, which is why we have tabled that new clause.

That concludes my submissions on the new clauses that we have tabled, other than to say again—ad nauseam—that we support the principles of the Bill but we do not believe that it goes far enough in certain areas. We applaud the direction of travel in which it will take the UK economy, and we hope that we will be able to go further. We hope that its provisions will not be caught up in red tape and bureaucracy, and that they will actually work so that we can get at the bad guys' money and the rest of us who play by the rules can have a fair crack of the whip.

Dr Huq: This group of new clauses contains a fair few of ours, so I shall take a bit longer than I did last time. I want to speak to new clauses 6, 16 and 17 and I want to press new clause 17 to a vote.

Tax evasion was big news in 2016 following the publication of the Panama papers, which threw light on certain opaque offshore companies. Following the leaking of those papers, the overwhelming sentiment was that something needed to be done, and this Bill is that something—or rather, it introduces a set of somethings to deal with the problem. It introduces new corporate

[Dr Huq]

offences that will no longer be reliant on the defunct guiding mind principle, it creates unexplained wealth orders and it contains some other eye-catching stuff including the failure to prevent offences under the category of a politically exposed person. It also makes necessary amendments to our pre-existing anti-terrorism legislation. The Minister has pointed out that the Bill builds on a raft of Labour-initiated legislation, including the Proceeds of Crime Act 2002, the Bribery Act 2010 and the Terrorism Acts of 2000 and 2006. On the whole, we support the Bill, and all this stuff is not to be sniffed at.

I also want to mention the new additional monitoring, which the Minister announced on the spot a little earlier, relating to the human rights abuses mentioned in our debate on the first group of new clauses.

As the Bill has progressed, however, it has become apparent that there are chinks in the armoury for fighting money laundering. We welcome what is in it, but concerns are being expressed not only in my party but by a range of charities and non-governmental organisations such as Amnesty International, Christian Aid, Traidcraft, Transparency International, CAFOD and the ONE Campaign. They are concerned about what the Bill does not contain, and the elephant in the room is the issue of beneficial ownership and the UK's inaction in tackling the financially secretive companies and practices that lie at the heart of the economies of many of our overseas territories and Crown dependencies. Beneficial ownership is entirely not present in the Bill. It is conspicuous by its absence. In other words, I am referring to our "tax havens." The silence seems bizarre given that we are talking about money laundering, tax evasion and terrorist financing. Whether the Government like it or not, the matter must be addressed. The issue falls within the Bill's remit because overseas territories are facilitating, aiding and abetting financial crime. The last time I was at the Dispatch Box I said that the UK, along with its overseas territories and Crown dependencies, is the biggest secretive financial jurisdiction in the world, so we have a special responsibility to act and to lead on this agenda, not to be slightly less bad than everyone else. The UK is facilitating some of the largest and most well-known tax havens, so we should be leading not following.

When the Government have been told that they need to "get real" not just by me in Committee but by the court of public opinion after the scandalous events of last year, they need to toughen up and get a grip on overseas territories and Crown dependencies because they facilitate illicit financial activity on a global scale, but the same excuses follow and have been trotted out today: the UK does not have the constitutional legitimacy for the overseas territories and Crown dependencies; and the territories are supposedly adhering to international standards anyway, so making them adopt public registers of beneficial ownership is not necessary. We are also told that the Government do want the territories and dependencies to adopt such registers, that they are working towards that, and that in the light of the progress made the threat of an Order in Council is unnecessary.

The Government say that the time will be right when the rest of world follows the UK's lead and that they will set a global benchmark for financial territories.

At the sixth sitting of the Bill Committee, the Minister told us that only when the time is right and only when there is an international standard for public registers of beneficial ownership will it be imperative for our overseas territories and Crown dependencies to follow suit. He actually claimed that the Crown dependencies and overseas territories with financial centres are already way ahead of "most jurisdictions", including most G20 nations, on tax transparency. We were told that they are doing enough and that now was not the time to upset the applecart with public registers, particularly when they have agreed to adopt centralised registers. The Minister may recognise his own words from Committee in response to an amendment of mine that was pretty much identical to new clause 6:

"I certainly think that these places"—

the overseas territories and Crown dependencies—

"have come 90% of the way, and we should see whether that works for us. We all have the intention"—

to adopt public registers—

"and the United Kingdom is leading by example."

In response to our threat of an Order in Council, he said:

"The new clause is a very strong measure. We should not impose our will on the overseas territories and Crown dependencies when they have come so far."

This is the interesting bit:

"It is important to recognise that we have got where we have through cajoling, working together and peer group pressure, which...makes a real difference."—[*Official Report, Criminal Finance Public Bill Committee*, 22 November 2016; c. 199-200.]

That already seems slightly contradictory.

On the one hand, we hear that we cannot legislate for the dependencies. In fact, I remember the Minister calling me—someone whose parents suffered the worst excesses of the British empire—a neo-imperialist. It was certainly the first time that anyone has called me a neo-colonialist or whatever it was. At the same time, however, we clearly are able to do something and have the option to stop turning a blind eye and to turn inactivity into activity. The Minister himself insisted that the proposal was a "strong measure" that is less preferable to his own formula of cajoling and behind-the-scenes pressure.

Mr Wallace: Will the hon. Lady recognise for once that through cajoling and peer group pressure all Crown dependencies and overseas territories will by this year have central registers of beneficial ownership or similar? That is ahead of many G20 countries that do not even have central registers. We have actually come a long way and a lot further than when Labour was in government.

Dr Huq: I listened carefully to what the Minister said, and he said something similar in response to my right hon. Friend the Member for Don Valley (Caroline Flint). I will literally eat my hat—not that I am wearing one—if that happens. The registers must be in a format that is easily convertible to public registers.

We are not there yet. As someone who conducted empirical social science research, I wonder where the 90% figure came from. I know such things are often said across the Dispatch Box—in this case, it was in a Public Bill Committee—on the hoof, in the heat of the moment, and I would not want to label the Minister as a purveyor

of fake news, but does he really think that we are 90% of the way there? Even if Government Members say that we do not normally do this, there is always a time when, if needed, we can step in, and the Labour party would argue that that time is now.

4.45 pm

Rather worryingly, the Government recently replied to the report of the International Development Committee, “Tackling corruption overseas”, by emphatically rejecting the claim that they need to do more to ensure that the overseas territories and Crown dependencies adopt centralised public registers. That is rather different from the rhetoric we are hearing today. There is evidence that, behind the scenes—I am sorry to say this—the Government have not, to use the Minister’s words, really “cajoled” the Governments of the Crown dependencies. Alternatively, perhaps they have not been cajoling those Governments hard enough, because if this Government really had, I would not have to cite the following statement by the Chief Minister of Jersey from Jersey’s *Hansard*. When asked by a Deputy—they are not called MPs—when the public registers of beneficial interest would become a reality, he answered:

“The U.K. Government accepts, and has accepted in conversations with us, that our approach meets the policy aims that they are trying to meet and international bodies, standard setters and reviewers, have acknowledged that our approach is a leading approach and is superior to some other approaches taken.”

It is hard to see how the Government can cajole someone to do something while simultaneously telling them that they do not need to do it—that speaks for itself.

The Government seem a bit confused about whether they do or do not want to play their part in creating a fair, ethical and transparent finance system. As for the suggestion that the UK lacks the constitutional power to legislate for the Crown dependencies, we have heard examples from both sides of the House of when such powers have been used.

Mark Field: The specific problem is about legislating for the overseas territories rather than the Crown dependencies. I think it is understood across the board that this does not apply to the Crown dependencies. We all recognise that significant progress has been made in recent years, so will the hon. Lady pledge at this juncture not to press new clause 6 to a Division? Let us see further progress in the months and years to come that will hopefully ensure that we move towards a global protocol that keeps everyone happy.

Dr Huq: First, I would like to finish what I was trying to say. I was coming to the Crown dependencies and overseas territories, which I realise are two different things. I would also like to hear what the Minister has to say, because at earlier stages of the Bill he was conciliatory and we backed down on some things.

We are dealing with not just new clause 6 but new clause 17. We are looking at both overseas territories and Crown dependencies because, internationally, the UK will be able to lecture and persuade others to adopt transparent finance practices only if its overseas territories and Crown dependencies stop engaging in—

Robert Neill: Will the hon. Lady give way?

Dr Huq: I will carry on for the moment because I want to make some progress—I am not able to get a sentence out at the moment. The hon. Gentleman will be referenced later in my speech. We worked well together under his excellent stewardship of the Justice Committee.

The previous coalition Government’s White Paper on the overseas territories has already been quoted by my right hon. Friend the Member for Don Valley. It referred to how, as a matter of constitutional law, the UK Parliament has unlimited power to legislate for the overseas territories. The phrase “unlimited power” is pretty clear. On the Crown dependencies, which the right hon. Member for Cities of London and Westminster (Mark Field) mentioned, it appears that not only the Government but the SNP, given the remarks of the hon. Member for Dumfries and Galloway (Richard Arkless), who was a member of the Justice Committee with me, have accepted, or been cowed into believing, that the Crown dependencies are somehow untouchable.

I want to quote from a report by the hon. Member for Bromley and Chislehurst (Robert Neill). The Justice Committee’s 2010 report on the Crown dependencies stated:

“the restrictive formulation of the power of the UK Government to intervene in insular affairs on the ground of good government is accepted by both the UK and the Crown Dependency governments”.

A list of examples was given, but the hon. Gentleman probably knows it better than I did, because he wrote it.

Robert Neill: It would not be unreasonable for the hon. Lady to note that I was not Chair of the Justice Committee at that time. Can she give me any example of a time when the United Kingdom has specifically legislated for a Crown dependency, as opposed to acting under the prerogative power through the lieutenant governors, which indeed itself has not been done in many years? The overseas territories are not the same as the Crown dependencies legally. I honestly urge her to reflect on that, because she is genuinely on shaky legal ground.

Dr Huq: As I have said, there seems to be a lack of will. The hon. Gentleman talked at length about Gibraltar—[*Interruption.*] If he will listen to what I say back to him, that might be useful. There is a lack of will to act. People have been lobbying all of us, probably including him. The fact that we have the power to make a change is more significant than examples—if this is needed, it can be done. New clause 16 does not coerce anyone to do anything, but it sets out steps that would facilitate matters.

Richard Arkless: Given the principle of parliamentary sovereignty, it is of course open to this place to legislate on Scotland. Is the hon. Lady suggesting that she would legislate on matters that are devolved to the Scottish Parliament?

Dr Huq: No, I did not say that. If the hon. Gentleman had listened, he would know that I did not mention Scotland at all.

Several hon. Members *rose—*

Dr Huq: I would like to make progress. I will not take any more interventions, because I am still at the very beginning of my speech and the Whips are telling me that they want me to conclude.

[Dr Huq]

The question is not, “Can we do this?” but, “Is it right to do this?” It will come as no surprise that I think that the answer is yes. The Government’s White Paper made it clear that when the law is not working, or there has been a breakdown in order—corruption was mentioned—the UK has the power to act.

Sir Eric Pickles *rose*—

Dr Huq: I have said that I am not giving way any more.

Sir Eric Pickles: I didn’t hear you.

Dr Huq: It would help if Members were listening to me. How many times have I given way? Numerous times—more than anyone else in our proceedings, which have been going on for many hours—so I would like to make some progress.

Even if, as has been mentioned, it is the British Virgin Islands and the Cayman Islands that are prolific offenders—I think that the British Virgin Islands come up the greatest number of times in the Panama papers—it does not completely absolve the Crown dependencies. Several Members have tried to untangle the difference between Crown dependencies and overseas territories. The Isle of Man managed to rack up 8,000 entries in the Panama papers and is being singled out by the Canadian revenue authorities for investigation. Let us not forget that in October 2015, HMRC defeated the Isle of Man on a tax avoidance scheme that took place from 2001 to 2008 and left a hole in our finances of £200 million. That is a not insignificant sum, and it is money going from our Exchequer. How many hospitals and schools could we have built for that? I do not know the precise answer; it is a rhetorical question. In 2007, the tax havens of Guernsey and Jersey were investigated by our Serious Fraud Office in one of the biggest corruption investigations in African history. These things often join up; the money moves around.

The point is clear: the very structure of the laws pertaining to finance in these places, coupled with their deliberate adoption of complex and opaque institutional structures, is crying out for reform. Globally, these dependencies are at the heart of undermining the rule of law—something that we hold dear—in other countries due to the corruption that they facilitate. Their laws therefore clearly need to be changed, and there is undeniable scope for us to change them. As my right hon. Friend the Member for Barking (Dame Margaret Hodge), who is sadly absent, has said, there is a moral case for us to act, even if there might not be an identical incident in which we have so acted. My right hon. Friend the Member for Don Valley referred to polling that shows enormous public support for such an approach—some 80% of people in a recent poll.

The Bill Committee was told that public registers are not an international norm and that our Crown dependencies and overseas territories are somehow exemplars because they have adopted closed registers of beneficial ownership. Lamentably, that might look like a bit of an alternative fact—dare I say that. I have here a piece of paper—in fact, it is three sheets stapled together—with a list of 46 jurisdictions. Those countries are all

dependencies of G20 nation states, so they are in a similar constitutional position to our overseas territories and Crown dependencies, and they all have centralised registers of beneficial ownership. Shall I read out all 46, or does the House want just a smattering? They are: the Ashmore and Cartier Islands, Christmas Island, the Cocos Keeling Islands, the Coral Sea Islands—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. The hon. Lady is not going to read out all 46, is she? She has made her point most eloquently, so there is no need to list all 46. We do not read long lists in this Chamber, and the House has got the point she is making.

Dr Huq: I am most grateful for that clarification, Madam Deputy Speaker. Some of those on the list are the DOM-TOMs—the départements d’outre-mer and the territoires d’outre-mer—so there is a long list, including Guadeloupe and Martinique, but I shall move on.

It is a bit of a nonsense for the Conservative party to claim that the overseas territories and Crown dependencies are leading the world in financial transparency because of the creation of central registers if 46 other dependencies are doing that already. Not only have some been incredibly slow to catch up with the aforementioned countries, but some of our Crown dependencies and overseas territories are among the worst offenders and have not adopted centralised registers, let alone made them public. More accurately, they have adopted platforms.

The Government ask us to believe that the British Virgin Islands or the Cayman Islands will be able to police their own financial businesses by relying on those businesses, which facilitate crime. It is asking them to mark their own homework and to be judge and jury. Call me a cynic, but I doubt that that is a workable solution. Do we really believe that anonymous companies in the British Virgin Islands—which, for example, allowed the former wife of a Taiwanese President to illicitly purchase \$1.6 million of property in Manhattan—would be capable of policing themselves?

There are several other examples. Would Alcoa, the world’s third largest producer of aluminium, be capable of policing itself when it has used an anonymous company in the British Virgin Islands to transfer millions of dollars in bribes to Bahraini officials? Would the anonymous British Virgin Islands-based company used by Teodorin Obiang, the son of the President of Equatorial Guinea, really be capable of policing itself when it allowed him to squirrel away \$38 million of state money to buy a private jet? It was thanks to the US Justice Department that he was caught. The Government’s protestation that we are working with the territories and dependencies, and that we are 90% of the way there, is at best highly questionable.

Robert Neill: Is that it?

Dr Huq: No, there is more.

The main point I want to make is that our Government should be at the forefront of the push to cast off the cloak of secrecy under which terrorists have previously been able to fund their attacks and gangsters have stored their ill-gotten gains. We should not be dragging our feet on this. Some of these jurisdictions, including the British Virgin Islands and the Cayman Islands, have hidden behind the fig leaf of the consultation.

I shall dispense with the rest of what I was going to say, but we wish to press new clause 17 to a Division—*[Interruption.]* If anyone had listened to me, they would know that I was largely talking about the Crown dependencies.

In conclusion, we could have gone all the way and become the gold standard for other Governments to follow. We could also have dealt with the public disquiet over perceived levels of tax evasion, which the former Prime Minister, to his credit, wanted to tackle. This massive oversight undermines not only the claims made by the former Member for Witney, but citizens in some of the poorest developing countries of the world, which are at the end of these complex supply chains of criminality. Those citizens are the main losers in all of this.

The Home Office's press release that accompanied the publication of the Bill said that the new offences were aimed at

“sending out a clear message that anyone doing business in and with the UK must have the highest possible compliance standards.”

Although we agree with large parts of the Bill, it does, none the less, fall short. New clause 17, which Her Majesty's loyal Opposition wish to press to a Division, would go some way towards addressing a number of these issues.

5 pm

Mr Wallace: It is a pleasure to follow the hon. Member for Ealing Central and Acton (Dr Huq). I will take this opportunity to respond to the many points that have been raised in this debate. It is a regret that the right hon. Member for Barking (Dame Margaret Hodge) is not in her place, but it is for fully understandable reasons. I pay tribute to her for the work she has done in campaigning for tax transparency, and I send her my best wishes at this time.

Let me now turn to the main thrust of this debate. What has dominated our proceedings is this question of whether our British overseas territories and Crown dependencies should have public registers of beneficial ownership. I am a supporter of transparency. I was the first Member of this House to publish my expenses—long before that was required. It was not a popular thing to do at the time, but I am a great believer in transparency. I learned that from my time in the Scottish Parliament, because I am also a great believer in respecting devolution and respecting constitutional arrangements.

Let me say to my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) that we have not changed our ambition. Our ambition is still to have public registers of beneficial ownership in the overseas territories and Crown dependencies. I repeated that to the leaders of those territories and dependencies just two weeks ago, but how we get there is where there are differences. We must recognise that, ever since David Cameron held that anti-corruption summit, we have come a long way—I am not sure whether it is 90%, 89%, or 85%. I do not know the percentage—I did not do the same course as the hon. Member for Ealing Central and Acton. None the less, we now have a commitment to keep either central registers or linked registers. My hon. Friend the Member for Amber Valley (Nigel Mills) needs to recognise that it is perfectly possible to link registers and to interrogate them centrally. We aim to fulfil that commitment by June 2017.

We are also committed to allowing our law enforcement agencies to have automatic access to those registers. We already do that in some of those territories, with requests coming back within hours. As a Home Office Minister, I am charged with ensuring that we see off organised crime, tackle corruption, and deal with money laundering. I believe that our arrangements do allow us to deal with potential crime and tax evasion. If I did not think that, I would not be here making the point that now is not the time to impose that on our overseas territories and Crown dependencies. I have faith that, at the moment, the capabilities of our law enforcement agencies enable us to interrogate those systems and to follow up and prosecute those people who encourage tax evasion not only in this country, but in other countries. This Bill gives us that extra territorial reach that many other countries do not have.

Ian Paisley (North Antrim) (DUP): Can the Minister give the House a categorical assurance that none of the money made from ill-gotten gains of criminal activity, through fuel fraud in Northern Ireland and the Republic of Ireland, is illicitly put into those countries?

Mr Wallace: We find criminals using banking systems all over the world to hide their money, whether that is in Northern Ireland, London, the Republic of Ireland, Crown dependencies or elsewhere. Such places have agreed to work with our law enforcement agencies, and we will allow their law enforcement agencies access to our databases in order to follow up such activity.

The hon. Member for Ealing Central and Acton underplays the success of the United Kingdom's leadership role. Without imposing on democratically elected Governments in those countries and without imposing our will in some sort of post-colonial way, we have achieved linked registers and access to registers for our law enforcement agencies across many Crown dependencies and overseas territories. We might compare ourselves with our nearest neighbours, the major economies—with all due respect, I do not mean Christmas Island—such as Germany and other European neighbours such as Spain. We are the ones with a public register and we, not them, are the ones ready to have a unified central register. Perhaps we should start by looking at the major economies, rather than sailing out on a gunboat to impose our will on overseas territories that have done an awful lot so far in getting to a position in which I am confident that our law enforcement agencies can bring people to justice. That is the fundamental point of this principle. We have not abandoned our ambition. We have decided that the way to do it is not to impose our will on overseas territories.

The Labour party's new clause 17 is probably constitutionally bankrupt, if I may use that phrase. It would certainly cause all sorts of problems, although I am not sure that we can actually impose our will on a Crown dependency like that. All the good words of the hon. Member for Ealing Central and Acton seem to have disappeared because the new clause leaves out overseas territories and would apply only to Crown dependencies. If Labour Members think that such a provision is right for Crown dependencies, why is it not right for overseas territories? I do not understand why they have left that out, although I suspect it is because, when it really comes to it, Labour Members do not

[Mr Wallace]

know what they are talking about. If the Labour party wanted to be successful with this, it might have done it in its 13 years in Government.

I respect devolution and constitutional arrangements, and it is important to do that at this stage. Crucially, if we do this in partnership, we will get there. When we see people being prosecuted and the system of information exchange between law enforcement agencies working, we will have arrived at a successful point. I am confident that we will get there. I do not shy away from telling the overseas territories and Crown dependencies that our ambition is for transparency but, first and foremost, our ambition is for a central register that is easily interrogated by our law enforcement agencies.

Nick Herbert: I welcome my hon. Friend's restatement that the Government remain committed to transparency. Will he give some kind of indication of a timetable, once his policy of registers is fully in place, by which he expects the overseas territories to be able to move to full transparency?

Mr Wallace: The first commitment is for the central register to be in place by June this year. Where overseas territories have trouble fulfilling that—for example, they just do not have the capacity to do it—we have offered help to allow them to do so. Hopefully that means that we will keep on target. As for setting a date for the public register, we first have to complete our own, and get it up and running. Once we know what challenges are involved in doing that and seeing how it works, we can have a grown-up discussion with our G20 partners about when they will do that. We should not just focus on the overseas territories and Crown dependencies. Major economies, including our own, are guilty of allowing people to hide illicit funds, which is why we introduced this Bill. I suspect we will find many funds laundered not in those small overseas territories, but in some major economies in the G20. That is important.

Mark Durkan: A number of the Minister's hon. Friends used the argument of competitive disadvantage when speaking against new clause 6. That is not an argument that the Minister has addressed at the Dispatch Box. Will he assure us that he is not saying that, when the time might be right in the future, and as long as any of the territories cite concerns about competitive disadvantage, the British Government would just back off?

Mr Wallace: We do have to recognise that there is a difference between secrecy and privacy; we have to respect that and to understand when privacy is an advantage and when it is being used secretly, to create a disadvantage or to avoid detection. So the difference between secrecy and privacy is not as straightforward as it would seem. In our lives, we all deserve some element of privacy. Shareholdings in some very major private companies, for example, are not listed—they have to be declared—and that has been established for many years.

Mark Durkan: Just to clarify the point, some of the Minister's hon. Friends said that their grounds for not supporting new clause 6 were that these territories would be put at a competitive disadvantage if they had

to move to public registers. Is that the Government's case, or is that argument being made by his hon. Friends, but not from the Dispatch Box?

Mr Wallace: The United Kingdom Government do not think they are at a competitive disadvantage, and that is why we are progressing with a public register ourselves. However, we will lead by example and by peer-group pressure; we will not lead by imposition. That is fundamentally the difference between the Government and some Members of the House. That is how we are going to get there.

Caroline Flint: Will the Minister give way?

Mr Wallace: No, I have to press on. I am sorry.

The damage caused by economic crime perpetrated on behalf, or in the name, of companies to individuals, businesses, the wider economy and the reputation of the United Kingdom as a place to do business is a very serious matter, and it comes within the area of corporate failure to prevent economic crime.

The Government have already taken action in respect of bribery committed in pursuit of corporate business objectives, and the Bill will introduce similar offences in relation to tax evasion. Both sets of offences followed lengthy public consultations, as is appropriate for such matters, which involve complex legal and policy issues.

That is why I confirmed in Committee that the Government would be launching a public call for evidence on corporate criminal liability for economic crime. That call for evidence was published on 13 January and is open until 24 March. It will form part of a potentially two-part consultation process. It openly examines evidence for and against the case for reform, and seeks views on a number of possible options, such as the "failure to prevent" model. Should the responses we receive justify changes to the law, the Government would then consult on a firm proposal. It would be wrong to rush into legislation in this area, but I hope hon. Members will recognise that the Government are looking closely at this issue, and I encourage them to contribute to the consultation process.

Let me move on to the issue of limited partnerships, which was raised by the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin) and more generally by members of the Scottish National party. I am grateful for the work they have done alongside the *Glasgow Herald* in highlighting the abuse of the Scottish limited partnership by criminals internationally and domestically, and it is important that we address that issue. We take these allegations very seriously—only recently, the hon. Gentleman highlighted another offence to me—and that is why a call for evidence was issued on 16 January by the Department for Business, Energy and Industrial Strategy on the need for further action.

The "Review of limited partnership law" is an exciting document—I am afraid the graphics man was clearly not in on the day it was created—but I urge members of the Scottish National party to respond to it, and I know they have already done so. They will be interested in one of the questions, which asks:

"What could the UK government do to reduce the potential of Limited Partnerships registered in Scotland being used as an enabler of criminal activity, whilst retaining some or all of the aspects of those Scottish Limited Partnership structures which are beneficial?"

I know the Scottish National party will respond to that.

Richard Arkless: What can the Minister tell us about the mystery Committee that is sitting for one hour today and proposing a new type of limited partnership that will, in theory, step into the place of SLPs? That is the sticking issue for me. Is there anything he can say on that point?

Mr Wallace: Well, apart from asking the hon. Member for Kirkcaldy and Cowdenbeath how he has enjoyed his hour on the Committee, which he has gone off to attend, I think we should look at this in chronological order. The review is taking place now. Whatever it produces will, of course, be responded to. If it is responded to in legislation, that will succeed whatever is being discussed in that Committee now.

I come now to the issue of tax evasion and the Opposition's new clause 11, which returns us to the question of corporate transparency in overseas territories. I should stress that the new offences in part 3 of the Bill already apply in those jurisdictions. First, the domestic tax evasion offence applies to any entity based anywhere in the world that fails to prevent a person acting for it, or on its behalf, from criminally facilitating the evasion of UK taxes. The overseas offence applies to any entity that carries out at least part of their business in the United Kingdom. The only circumstances in which a company is outside the scope of these offences is where there is no connection to the UK: no UK tax loss, no criminal facilitation from within the UK, and no corporation carrying out any business. In those situations, it is for the country suffering the tax loss, and not for the UK, to respond. The corporate offences are by no means a one-size-fits-all solution for every country. However, I am pleased to report that Government officials have spoken to revenue authorities, regulators and businesses from across the world about the new corporate offences, and there has been significant interest in them.

5.15 pm

New clause 13 would require the Secretary of State to produce sentencing guidelines that would stipulate a maximum financial penalty no greater than the tax evaded. As hon. Members may be aware, it is the role of the Sentencing Council, under the presidency of the Lord Chief Justice, to produce sentencing guidelines. The council has already published a definitive guide of fraud, bribery, and money laundering offences, including a section on corporate offenders. Therefore, while I agree that there is merit in a sentencing guideline for the new corporate offences, it would not be for the Government to produce it. This could undermine the independence of the judiciary.

I have sought to cover as many of the concerns that have been raised as possible. I am grateful to the House for its patience and for enabling discussion of so many significant topics. I trust that right hon. and hon. Members are suitably reassured that we have reflected on all the amendments in this group and will agree that legislation is not necessary or appropriate for the reasons I have set out. I remain open to discussing these matters or any others with colleagues, and I am sure that we will return to some of them in the House of Lords. At this stage, I hope that I have addressed hon. Members' concerns and invite them not to press their amendments.

Caroline Flint: I will not press new clause 6 to a vote. I do not believe that the Minister has really answered the points that have been made by hon. Members across

the House. I am sure that this matter will be picked up in the other place, and I reserve the right to pick it up once again with my right hon. Friend the Member for Barking (Dame Margaret Hodge) when it returns to this place.

Sir Edward Garnier: My new clause 2 was drafted and tabled before Christmas. Since then, I have had a number of meetings with my hon. Friend the Minister and we have also seen the Ministry of Justice's call for evidence in relation to corporate criminal liability. In the light of what he has said this afternoon, I beg to ask leave to withdraw the clause.

Clause, by leave, withdrawn.

New Clause 17

PUBLIC REGISTERS OF BENEFICIAL OWNERSHIP OF COMPANIES REGISTERED IN CROWN DEPENDENCIES

‘(1) In Part 1 of the Proceeds of Crime Act 2002 (introductory), after section 2A, insert—

“2AA Duty of Secretary of State: Public registers of beneficial ownership of companies registered in Crown dependencies

(1) It shall be the duty of the Secretary of State, in furtherance of the purposes of—

- (a) this Act; and
- (b) Part 3 of the Criminal Finances Act 2017

to take the actions set out in this section.

(2) The first action is, no later than 31 December 2017, to provide all reasonable assistance to the Governments of Crown Dependencies to enable each of those Governments to establish a publicly accessible register of the beneficial ownership of companies registered in that Government's jurisdiction.

(3) The second action is, no later than 31 December 2019, to publish legislative proposals to require the Government of any Crown dependency that has not already established a publicly accessible register of the beneficial ownership of companies registered in that Government's jurisdiction to do so.

(4) In this section—

“a publicly accessible register of the beneficial ownership of companies” means a register which, in the opinion of the Secretary of State, provides information broadly equivalent to that available in accordance with the provisions of Part 21A of the Companies Act 2006.

“legislative proposals” means either—

- (a) a draft Order in Council; or
- (b) a Bill presented to either House of Parliament.”

—(*Dr Huq.*)

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The House divided: Ayes 180, Noes 301.

Division No. 162]

[5.18 pm

AYES

Abbott, rh Ms Diane	Blenkinsop, Tom
Abrahams, Debbie	Blomfield, Paul
Alexander, Heidi	Boswell, Philip
Ali, Rushanara	Brabin, Tracy
Allin-Khan, Dr Rosena	Bradshaw, rh Mr Ben
Bailey, Mr Adrian	Brennan, Kevin
Barron, rh Sir Kevin	Brown, Lyn
Benn, rh Hilary	Brown, rh Mr Nicholas
Berger, Luciana	Bryant, Chris
Blackman-Woods, Dr Roberta	Buck, Ms Karen

Burden, Richard
 Burgon, Richard
 Butler, Dawn
 Cadbury, Ruth
 Campbell, rh Mr Alan
 Campbell, Mr Ronnie
 Carmichael, rh Mr Alistair
 Champion, Sarah
 Chapman, Jenny
 Clegg, rh Mr Nick
 Coaker, Vernon
 Coffey, Ann
 Cooper, Julie
 Cooper, Rosie
 Cooper, rh Yvette
 Corbyn, rh Jeremy
 Coyle, Neil
 Crausby, Sir David
 Creagh, Mary
 Creasy, Stella
 Cruddas, Jon
 Cunningham, Alex
 Cunningham, Mr Jim
 Dakin, Nic
 Danczuk, Simon
 David, Wayne
 Davies, Geraint
 Debbonaire, Thangam
 Doughty, Stephen
 Dowd, Jim
 Dowd, Peter
 Durkan, Mark
 Eagle, Ms Angela
 Eagle, Maria
 Edwards, Jonathan
 Efford, Clive
 Elliott, Julie
 Elliott, Tom
 Ellman, Mrs Louise
 Elmore, Chris
 Esterson, Bill
 Evans, Chris
 Farrelly, Paul
 Field, rh Frank
 Fitzpatrick, Jim
 Fletcher, Colleen
 Flint, rh Caroline
 Flynn, Paul
 Fovargue, Yvonne
 Foxcroft, Vicky
 Furniss, Gill
 Gapes, Mike
 Gardiner, Barry
 Glindon, Mary
 Goodman, Helen
 Green, Kate
 Greenwood, Lilian
 Greenwood, Margaret
 Griffith, Nia
 Haigh, Louise
 Hanson, rh Mr David
 Harman, rh Ms Harriet
 Harris, Carolyn
 Hayes, Helen
 Healey, rh John
 Hillier, Meg
 Hodgson, Mrs Sharon
 Hoey, Kate
 Hopkins, Kelvin
 Howarth, rh Mr George
 Huq, Dr Rupa
 Johnson, rh Alan

Johnson, Diana
 Jones, Gerald
 Jones, Helen
 Jones, Mr Kevan
 Jones, Susan Elan
 Kane, Mike
 Keeley, Barbara
 Kendall, Liz
 Kinahan, Danny
 Kyle, Peter
 Lamb, rh Norman
 Lammy, rh Mr David
 Lavery, Ian
 Leslie, Chris
 Lewis, Clive
 Lewis, Mr Ivan
 Long Bailey, Rebecca
 Lucas, Caroline
 Lucas, Ian C.
 Lynch, Holly
 Madders, Justin
 Mahmood, Mr Khalid
 Malhotra, Seema
 Mann, John
 Marris, Rob
 Marsden, Gordon
 Maskell, Rachael
 Matheson, Christian
 McCabe, Steve
 McCarthy, Kerry
 McDonnell, Dr Alasdair
 McDonnell, rh John
 McFadden, rh Mr Pat
 McGinn, Conor
 McGovern, Alison
 McInnes, Liz
 McMahon, Jim
 Meale, Sir Alan
 Miliband, rh Edward
 Morden, Jessica
 Mulholland, Greg
 Murray, Ian
 Nandy, Lisa
 Olney, Sarah
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Owen, Albert
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Pound, Stephen
 Powell, Lucy
 Pugh, John
 Qureshi, Yasmin
 Rayner, Angela
 Reed, Mr Steve
 Rees, Christina
 Reeves, Rachel
 Reynolds, Emma
 Reynolds, Jonathan
 Rimmer, Marie
 Ritchie, Ms Margaret
 Robinson, Mr Geoffrey
 Rotheram, Steve
 Shah, Naz
 Sheerman, Mr Barry
 Sherriff, Paula
 Shuker, Mr Gavin
 Siddiq, Tulip
 Skinner, Mr Dennis

Slaughter, Andy
 Smith, Angela
 Spellar, rh Mr John
 Stevens, Jo
 Stringer, Graham
 Thomas, Mr Gareth
 Thomas-Symonds, Nick
 Thornberry, rh Emily
 Turley, Anna
 Turner, Karl
 Twigg, Derek
 Twigg, Stephen
 Umunna, Mr Chuka
 Vaz, Valerie

West, Catherine
 Whitehead, Dr Alan
 Williams, Hywel
 Williams, Mr Mark
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Dame Rosie
 Woodcock, John
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Ayes:
Nick Smith and
Judith Cummins

NOES

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter
 Allan, Lucy
 Allen, Heidi
 Amess, Sir David
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Baldwin, Harriett
 Barclay, Stephen
 Bebb, Guto
 Bellingham, Sir Henry
 Benyon, rh Richard
 Beresford, Sir Paul
 Berry, Jake
 Berry, James
 Bingham, Andrew
 Blackman, Bob
 Blackwood, Nicola
 Blunt, Crispin
 Bone, Mr Peter
 Borwick, Victoria
 Brady, Mr Graham
 Brazier, Sir Julian
 Bridgen, Andrew
 Brokenshire, rh James
 Bruce, Fiona
 Buckland, Robert
 Burns, Conor
 Burns, rh Sir Simon
 Burrowes, Mr David
 Burt, rh Alistair
 Cairns, rh Alun
 Campbell, Mr Gregory
 Carmichael, Neil
 Cartledge, James
 Cash, Sir William
 Caulfield, Maria
 Chalk, Alex
 Chishti, Rehman
 Chope, Mr Christopher
 Churchill, Jo
 Clark, rh Greg
 Cleverly, James
 Clifton-Brown, Geoffrey
 Coffey, Dr Thérèse
 Collins, Damian
 Colvile, Oliver
 Costa, Alberto
 Courts, Robert
 Cox, Mr Geoffrey
 Crabb, rh Stephen
 Crouch, Tracey
 Davies, Byron
 Davies, Chris
 Davies, David T. C.
 Davies, Glyn
 Davies, Dr James
 Davies, Mims
 Davies, Philip
 Dinenage, Caroline
 Djanogly, Mr Jonathan
 Donaldson, rh Sir Jeffrey M.
 Dorries, Nadine
 Double, Steve
 Dowden, Oliver
 Doyle-Price, Jackie
 Drax, Richard
 Drummond, Mrs Flick
 Duddridge, James
 Duncan Smith, rh Mr Iain
 Dunne, Mr Philip
 Ellis, Michael
 Ellison, Jane
 Ellwood, Mr Tobias
 Elphicke, Charlie
 Eustice, George
 Evans, Graham
 Evans, Mr Nigel
 Evennett, rh David
 Fabricant, Michael
 Fallon, rh Sir Michael
 Fernandes, Suella
 Field, rh Mark
 Foster, Kevin
 Francois, rh Mr Mark
 Frazer, Lucy
 Freeman, George
 Fuller, Richard
 Fysh, Marcus
 Gale, Sir Roger
 Garnier, rh Sir Edward
 Garnier, Mark
 Gauke, rh Mr David
 Ghani, Nusrat
 Gibb, rh Mr Nick
 Gillan, rh Mrs Cheryl
 Glen, John
 Goodwill, Mr Robert
 Graham, Richard
 Grant, Mrs Helen
 Grayling, rh Chris
 Green, Chris
 Green, rh Damian
 Greening, rh Justine
 Grieve, rh Mr Dominic

Griffiths, Andrew
 Gummer, rh Ben
 Gyimah, Mr Sam
 Halfon, rh Robert
 Hall, Luke
 Hammond, Stephen
 Hancock, rh Matt
 Hands, rh Greg
 Harper, rh Mr Mark
 Harrington, Richard
 Harris, Rebecca
 Hart, Simon
 Haselhurst, rh Sir Alan
 Hayes, rh Mr John
 Heald, rh Sir Oliver
 Heappey, James
 Heaton-Harris, Chris
 Heaton-Jones, Peter
 Henderson, Gordon
 Herbert, rh Nick
 Hinds, Damian
 Hoare, Simon
 Hollingbery, George
 Hollinrake, Kevin
 Hollobone, Mr Philip
 Holloway, Mr Adam
 Hopkins, Kris
 Howarth, Sir Gerald
 Howell, John
 Howlett, Ben
 Huddleston, Nigel
 Hunt, rh Mr Jeremy
 Hurd, Mr Nick
 Jackson, Mr Stewart
 James, Margot
 Javid, rh Sajid
 Jayawardena, Mr Ranil
 Jenkin, Mr Bernard
 Jenkyns, Andrea
 Johnson, rh Boris
 Johnson, Dr Caroline
 Johnson, Gareth
 Johnson, Joseph
 Jones, Andrew
 Jones, rh Mr David
 Jones, Mr Marcus
 Kawczynski, Daniel
 Kennedy, Seema
 Kirby, Simon
 Knight, Julian
 Kwarteng, Kwasi
 Lancaster, Mark
 Latham, Pauline
 Leadsom, rh Andrea
 Lee, Dr Phillip
 Lefroy, Jeremy
 Leigh, Sir Edward
 Leslie, Charlotte
 Letwin, rh Sir Oliver
 Lewis, rh Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lidington, rh Mr David
 Lord, Jonathan
 Loughton, Tim
 Mackinlay, Craig
 Mackintosh, David
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 Maynard, Paul
 McCartney, Jason

McCartney, Karl
 McLoughlin, rh Sir Patrick
 McPartland, Stephen
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen
 Miller, rh Mrs Maria
 Mills, Nigel
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mowat, David
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newton, Sarah
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 Offord, Dr Matthew
 Opperman, Guy
 Osborne, rh Mr George
 Paisley, Ian
 Patel, rh Priti
 Paterson, rh Mr Owen
 Pawsey, Mark
 Penning, rh Mike
 Penrose, John
 Percy, Andrew
 Perry, Claire
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Mr Laurence
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Sandbach, Antoinette
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec
 Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Henry
 Smith, Julian
 Smith, Royston
 Soames, rh Sir Nicholas
 Solloway, Amanda
 Soubry, rh Anna
 Spelman, rh Dame Caroline

Stewart, Bob
 Stewart, Iain
 Streeter, Mr Gary
 Stride, Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Sir Desmond
 Swire, rh Sir Hugo
 Syms, Mr Robert
 Thomas, Derek
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Tredinnick, David
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, rh Mr Edward

Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Wharton, James
 Whately, Helen
 White, Chris
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williamson, rh Gavin
 Wilson, Mr Rob
 Wollaston, Dr Sarah
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
Steve Brine and
Heather Wheeler

Question accordingly negated.

New Clause 19

THE CULTURE OF THE BANKING INDUSTRY AND FAILURE TO PREVENT THE FACILITATION OF TAX EVASION

(1) The Secretary of State must undertake a review into the extent to which banking culture contributed to the failure to prevent the facilitation of tax evasion in the banking sector.

(2) The review must consider, but shall not be limited to, the following issues—

- (a) the impact of culture change on decision making senior executive and board level;
- (b) the pressure on staff to meet performance targets;
- (c) how allegations of tax evasion are reported and acted on.

(3) The review must set out what steps the UK Government intends to take to ensure that banking culture is not facilitating tax evasion.

(4) In carrying out this review, the Secretary of State must consult—

- (a) devolved administrations;
- (b) HMRC;
- (c) the Serious Fraud Office;
- (d) the Financial Conduct Authority;
- (e) interested charities, and
- (f) anyone else the Secretary of State deems appropriate.

(5) The Secretary of State shall lay a copy of the review before the House of Commons within six months of this Act receiving Royal Assent.”—(*Richard Arkless.*)

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The House divided: Ayes 241, Noes 300.

Division No. 163]

[5.32 pm

AYES

Abbott, rh Ms Diane
 Abrahams, Debbie
 Ahmed-Sheikh, Ms Tasmina
 Alexander, Heidi

Ali, Rushanara
 Allin-Khan, Dr Rosena
 Arkless, Richard
 Bailey, Mr Adrian

Bardell, Hannah
 Barron, rh Sir Kevin
 Benn, rh Hilary
 Berger, Luciana
 Black, Mhairi
 Blackman, Kirsty
 Blackman-Woods, Dr Roberta
 Blenkinsop, Tom
 Blomfield, Paul
 Boswell, Philip
 Brabin, Tracy
 Bradshaw, rh Mr Ben
 Brennan, Kevin
 Brock, Deidre
 Brown, Alan
 Brown, Lyn
 Brown, rh Mr Nicholas
 Bryant, Chris
 Buck, Ms Karen
 Burden, Richard
 Burgon, Richard
 Butler, Dawn
 Cadbury, Ruth
 Cameron, Dr Lisa
 Campbell, rh Mr Alan
 Campbell, Mr Ronnie
 Carmichael, rh Mr Alistair
 Champion, Sarah
 Chapman, Jenny
 Cherry, Joanna
 Clegg, rh Mr Nick
 Coaker, Vernon
 Coffey, Ann
 Cooper, Julie
 Cooper, Rosie
 Cooper, rh Yvette
 Corbyn, rh Jeremy
 Cowan, Ronnie
 Coyle, Neil
 Crausby, Sir David
 Crawley, Angela
 Creagh, Mary
 Creasy, Stella
 Cruddas, Jon
 Cummins, Judith
 Cunningham, Alex
 Cunningham, Mr Jim
 Dakin, Nic
 Danczuk, Simon
 David, Wayne
 Davies, Geraint
 Day, Martyn
 Debbonaire, Thangam
 Docherty-Hughes, Martin
 Donaldson, Stuart Blair
 Doughty, Stephen
 Dowd, Jim
 Dowd, Peter
 Durkan, Mark
 Eagle, Ms Angela
 Eagle, Maria
 Edwards, Jonathan
 Efford, Clive
 Elliott, Julie
 Ellman, Mrs Louise
 Elmore, Chris
 Esterson, Bill
 Evans, Chris
 Farrelly, Paul
 Ferrier, Margaret
 Field, rh Frank
 Fitzpatrick, Jim
 Fletcher, Colleen
 Flint, rh Caroline
 Flynn, Paul
 Fovargue, Yvonne
 Foxcroft, Vicky
 Furniss, Gill
 Gapes, Mike
 Gardiner, Barry
 Gethins, Stephen
 Gibson, Patricia
 Glindon, Mary
 Goodman, Helen
 Grady, Patrick
 Grant, Peter
 Gray, Neil
 Green, Kate
 Greenwood, Lilian
 Greenwood, Margaret
 Griffith, Nia
 Haigh, Louise
 Hanson, rh Mr David
 Harman, rh Ms Harriet
 Harris, Carolyn
 Hayes, Helen
 Healey, rh John
 Hendrick, Mr Mark
 Hendry, Drew
 Hermon, Lady
 Hillier, Meg
 Hodgson, Mrs Sharon
 Hoey, Kate
 Hopkins, Kelvin
 Hosie, Stewart
 Howarth, rh Mr George
 Huq, Dr Rupa
 Johnson, rh Alan
 Johnson, Diana
 Jones, Gerald
 Jones, Helen
 Jones, Mr Kevan
 Jones, Susan Elan
 Kane, Mike
 Keeley, Barbara
 Kendall, Liz
 Kerevan, George
 Kerr, Calum
 Kyle, Peter
 Lamb, rh Norman
 Lammy, rh Mr David
 Lavery, Ian
 Law, Chris
 Leslie, Chris
 Lewis, Clive
 Lewis, Mr Ivan
 Long Bailey, Rebecca
 Lucas, Caroline
 Lucas, Ian C.
 Lynch, Holly
 MacNeil, Mr Angus Brendan
 Madders, Justin
 Mahmood, Mr Khalid
 Malhotra, Seema
 Mann, John
 Marsden, Gordon
 Maskell, Rachael
 Matheson, Christian
 Mc Nally, John
 McCabe, Steve
 McCaig, Callum
 McCarthy, Kerry
 McDonald, Stewart Malcolm
 McDonald, Stuart C.

McDonnell, Dr Alasdair
 McDonnell, rh John
 McFadden, rh Mr Pat
 McGarry, Natalie
 McGinn, Conor
 McGovern, Alison
 McInnes, Liz
 McLaughlin, Anne
 McMahan, Jim
 Meale, Sir Alan
 Miliband, rh Edward
 Monaghan, Carol
 Monaghan, Dr Paul
 Morden, Jessica
 Mulholland, Greg
 Mullin, Roger
 Murray, Ian
 Nandy, Lisa
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Olney, Sarah
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Oswald, Kirsten
 Owen, Albert
 Paterson, Steven
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Pound, Stephen
 Powell, Lucy
 Pugh, John
 Qureshi, Yasmin
 Rayner, Angela
 Reed, Mr Steve
 Rees, Christina
 Reeves, Rachel
 Reynolds, Emma
 Reynolds, Jonathan
 Rimmer, Marie
 Ritchie, Ms Margaret
 Robertson, rh Angus
 Robinson, Mr Geoffrey
 Rotheram, Steve

Salmond, rh Alex
 Shah, Naz
 Sharma, Mr Virendra
 Sheerman, Mr Barry
 Sheppard, Tommy
 Sherriff, Paula
 Shuker, Mr Gavin
 Siddiq, Tulip
 Skinner, Mr Dennis
 Slaughter, Andy
 Smith, Angela
 Smith, Nick
 Spellar, rh Mr John
 Stephens, Chris
 Stevens, Jo
 Stringer, Graham
 Thewliss, Alison
 Thomas, Mr Gareth
 Thomas-Symonds, Nick
 Thomson, Michelle
 Thornberry, rh Emily
 Turley, Anna
 Turner, Karl
 Twigg, Derek
 Twigg, Stephen
 Umunna, Mr Chuka
 Vaz, Valerie
 Weir, Mike
 West, Catherine
 Whiteford, Dr Eilidh
 Whitehead, Dr Alan
 Whitford, Dr Philippa
 Williams, Hywel
 Williams, Mr Mark
 Wilson, Corri
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Dame Rosie
 Wishart, Pete
 Woodcock, John
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Ayes:
Marion Fellows and
Owen Thompson

NOES

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter
 Allan, Lucy
 Allen, Heidi
 Amess, Sir David
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Baldwin, Harriett
 Barclay, Stephen
 Bebb, Guto
 Bellingham, Sir Henry
 Benyon, rh Richard
 Beresford, Sir Paul
 Berry, Jake
 Berry, James
 Bingham, Andrew
 Blackman, Bob
 Blackwood, Nicola
 Blunt, Crispin
 Bone, Mr Peter
 Borwick, Victoria
 Brady, Mr Graham
 Brazier, Sir Julian
 Bridgen, Andrew
 Brokenshire, rh James
 Bruce, Fiona
 Buckland, Robert
 Burns, Conor
 Burns, rh Sir Simon
 Burrowes, Mr David
 Cairns, rh Alun
 Campbell, Mr Gregory
 Carmichael, Neil
 Cartlidge, James
 Cash, Sir William
 Caulfield, Maria
 Chalk, Alex
 Chishti, Rehman
 Chope, Mr Christopher

Churchill, Jo
 Clark, rh Greg
 Cleverly, James
 Clifton-Brown, Geoffrey
 Coffey, Dr Thérèse
 Collins, Damian
 Colville, Oliver
 Costa, Alberto
 Courts, Robert
 Cox, Mr Geoffrey
 Crabb, rh Stephen
 Crouch, Tracey
 Davies, Byron
 Davies, Chris
 Davies, David T. C.
 Davies, Glyn
 Davies, Dr James
 Davies, Mims
 Davies, Philip
 Dinenage, Caroline
 Djanogly, Mr Jonathan
 Donaldson, rh Sir Jeffrey M.
 Dorries, Nadine
 Double, Steve
 Dowden, Oliver
 Doyle-Price, Jackie
 Drax, Richard
 Drummond, Mrs Flick
 Duddridge, James
 Duncan Smith, rh Mr Iain
 Dunne, Mr Philip
 Elliott, Tom
 Ellis, Michael
 Ellison, Jane
 Ellwood, Mr Tobias
 Elphicke, Charlie
 Eustice, George
 Evans, Graham
 Evans, Mr Nigel
 Evennett, rh David
 Fabricant, Michael
 Fallon, rh Sir Michael
 Fernandes, Suella
 Field, rh Mark
 Foster, Kevin
 Francois, rh Mr Mark
 Frazer, Lucy
 Freeman, George
 Fuller, Richard
 Fysh, Marcus
 Gale, Sir Roger
 Garnier, rh Sir Edward
 Garnier, Mark
 Gauke, rh Mr David
 Ghani, Nusrat
 Gibb, rh Mr Nick
 Gillan, rh Mrs Cheryl
 Glen, John
 Goodwill, Mr Robert
 Graham, Richard
 Grant, Mrs Helen
 Grayling, rh Chris
 Green, Chris
 Green, rh Damian
 Greening, rh Justine
 Grieve, rh Mr Dominic
 Griffiths, Andrew
 Gummer, rh Ben
 Gyimah, Mr Sam
 Halfon, rh Robert
 Hall, Luke
 Hammond, Stephen

Hancock, rh Matt
 Hands, rh Greg
 Harper, rh Mr Mark
 Harrington, Richard
 Harris, Rebecca
 Hart, Simon
 Haselhurst, rh Sir Alan
 Hayes, rh Mr John
 Heald, rh Sir Oliver
 Heappey, James
 Heaton-Harris, Chris
 Heaton-Jones, Peter
 Henderson, Gordon
 Herbert, rh Nick
 Hinds, Damian
 Hoare, Simon
 Hollingbery, George
 Hollinrake, Kevin
 Hollobone, Mr Philip
 Holloway, Mr Adam
 Hopkins, Kris
 Howarth, Sir Gerald
 Howell, John
 Howlett, Ben
 Huddleston, Nigel
 Hunt, rh Mr Jeremy
 Hurd, Mr Nick
 Jackson, Mr Stewart
 James, Margot
 Javid, rh Sajid
 Jayawardena, Mr Ranil
 Jenkin, Mr Bernard
 Jenkyns, Andrea
 Johnson, rh Boris
 Johnson, Dr Caroline
 Johnson, Gareth
 Johnson, Joseph
 Jones, Andrew
 Jones, rh Mr David
 Jones, Mr Marcus
 Kawczynski, Daniel
 Kennedy, Seema
 Kinahan, Danny
 Kirby, Simon
 Knight, Julian
 Kwarteng, Kwasi
 Lancaster, Mark
 Latham, Pauline
 Leadsom, rh Andrea
 Lee, Dr Phillip
 Lefroy, Jeremy
 Leigh, Sir Edward
 Leslie, Charlotte
 Letwin, rh Sir Oliver
 Lewis, rh Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lidington, rh Mr David
 Lord, Jonathan
 Loughton, Tim
 Mackinlay, Craig
 Mackintosh, David
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 Maynard, Paul
 McCartney, Jason
 McCartney, Karl
 McLoughlin, rh Sir Patrick
 McPartland, Stephen
 Menzies, Mark
 Mercer, Johnny

Merriman, Huw
 Metcalfe, Stephen
 Miller, rh Mrs Maria
 Mills, Nigel
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mowat, David
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newton, Sarah
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 Offord, Dr Matthew
 Opperman, Guy
 Osborne, rh Mr George
 Paisley, Ian
 Patel, rh Priti
 Paterson, rh Mr Owen
 Pawsey, Mark
 Penning, rh Mike
 Penrose, John
 Percy, Andrew
 Perry, Claire
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Mr Laurence
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Sandbach, Antoinette
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec

Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Henry
 Smith, Julian
 Smith, Royston
 Soames, rh Sir Nicholas
 Solloway, Amanda
 Soubry, rh Anna
 Spelman, rh Dame Caroline
 Stewart, Bob
 Stewart, Iain
 Streeter, Mr Gary
 Stride, Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Sir Desmond
 Swire, rh Sir Hugo
 Syms, Mr Robert
 Thomas, Derek
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Tredinnick, David
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, rh Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Wharton, James
 Whately, Helen
 White, Chris
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williamson, rh Gavin
 Wilson, Mr Rob
 Wollaston, Dr Sarah
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
 Heather Wheeler and
 Steve Brine

Question accordingly negatived.

Clause 9

POWER TO EXTEND MORATORIUM PERIOD

Amendments made: 2, page 27, line 12, at end insert “, and

- (b) section 336BA, which provides for an automatic extension of the moratorium period in certain cases (period extended if it would otherwise end before determination of application or appeal proceedings etc).”

This amendment is consequential on amendment 9.

Amendment 3, page 27, line 15, at end insert “, and

- (b) section 336BA, which provides for an automatic extension of the moratorium period in certain cases (period extended if it would otherwise end before determination of application or appeal proceedings etc).”

This amendment is consequential on amendment 9.

Amendment 4, page 27, line 35, at end insert—

“() A moratorium period extended in accordance with subsection (2) or (4) of section 336BA may also be further extended by the court on the making of an application under this section.”

This amendment is consequential on amendment 9 and clarifies that where a moratorium period has been extended automatically under subsection (2) or (4) of new section 336BA it may be further extended by the court on the making of an application under section 336A.

Amendment 5, page 28, line 3, at end insert—

“(8) An application under this section may be made by an immigration officer only if the officer has reasonable grounds for suspecting that conduct constituting the prohibited act in relation to which the moratorium period in question applies—

- (a) relates to the entitlement of one or more persons who are not nationals of the United Kingdom to enter, transit across, or be in, the United Kingdom (including conduct which relates to conditions or other controls on any such entitlement), or
- (b) is undertaken for the purposes of, or otherwise in relation to, a relevant nationality enactment.

(9) In subsection (8)—

“prohibited act” has the meaning given by section 335(8) or (as the case may be) section 336(10);

“relevant nationality enactment” means any enactment in—

- (a) the British Nationality Act 1981,
- (b) the Hong Kong Act 1985,
- (c) the Hong Kong (War Wives and Widows) Act 1996,
- (d) the British Nationality (Hong Kong) Act 1997,
- (e) the British Overseas Territories Act 2002, or
- (f) an instrument made under any of those Acts.”

This amendment is consequential on amendments 13 and 14 and ensures that immigration officers may exercise their powers to make applications to extend the moratorium period only for the purposes of their immigration functions.

Amendment 6, page 28, line 6, at end insert—

“() The court must determine the proceedings as soon as reasonably practicable.”

This amendment requires the court to determine proceedings on applications to extend the moratorium period as quickly as possible.

Amendment 7, page 28, line 31, leave out from “appeal” to “may” in line 33 and insert

“lies to the appropriate appeal court on a point of law arising from a decision made by the Crown Court in Northern Ireland or by the sheriff.

“() The appropriate appeal court”.

This amendment provides for rights of appeals on applications to extend the moratorium period in Northern Ireland or Scotland. Rights of appeal in relation to England and Wales are already available under section 28 of the Senior Courts Act 1981.

Amendment 8, page 28, line 35, at end insert—

“() The appropriate appeal court is—

- (a) in the case of a decision of the Crown Court in Northern Ireland, the Court of Appeal in Northern Ireland;
- (b) in the case of a decision of the sheriff, the Sheriff Appeal Court.

() For rights of appeal in the case of decisions made by the Crown Court in England and Wales, see section 28 of the Senior Courts Act 1981 (appeals from Crown Court and inferior courts).”

This amendment provides for the meaning of “appropriate appeal court” for the purposes of amendment 7.

Amendment 9, page 28, line 35, at end insert—

“336BA Extension of moratorium period pending determination of proceedings etc

(1) A moratorium period is extended in accordance with subsection (2) where—

- (a) an application is made to the court under section 336A for the extension (or further extension) of the moratorium period, and
- (b) the period would (apart from that subsection) end before the court determines the application or it is otherwise disposed of.

(2) The moratorium period is extended from the time when it would otherwise end until the court determines the application or it is otherwise disposed of.

(3) A moratorium period is extended in accordance with subsection (4) where—

- (a) proceedings on an appeal in respect of a decision on an application under section 336A have been brought, and
- (b) the period would (apart from that subsection) end before the proceedings are finally determined or otherwise disposed of.

(4) The moratorium period is extended from the time when it would otherwise end until the proceedings are finally determined or otherwise disposed of.

(5) But the maximum period by which the moratorium period is extended by virtue of subsection (2) or (4) is 31 days beginning with the day after the day on which the period would otherwise have ended.

(6) A moratorium period is extended in accordance with subsection (7) where—

- (a) an application is made to the court under section 336A for an extension of the period,
- (b) the court refuses to grant the application, and
- (c) the period would (apart from that subsection) end before the end of the 5 day period.

(7) The moratorium period is extended from the time when it would otherwise end until—

- (a) the end of the 5 day period, or
- (b) if proceedings on an appeal against the decision are brought before the end of the 5 day period, the time when those proceedings are brought.

(8) The “5 day period” is the period of 5 working days beginning with the day on which the court refuses to grant the application.

(9) This restriction on the overall extension of a moratorium period mentioned in section 336A(6) applies to an extension of a moratorium period in accordance with any provision of this section as it applies to an extension under an order of the court.”

This amendment provides for the automatic extension of the moratorium period (up to a maximum of 31 days) in circumstances where an application for its extension has been made under new section 336A of the Proceeds of Crime Act 2002 but proceedings on that application have not been determined before the period would otherwise end or where an appeal has been brought in relation to such an application that has yet to be determined when the period would otherwise end. It also provides for a 5 day extension where a court refuses a section 336A application for the purposes of enabling the applicant to bring appeal proceedings before the period would otherwise end.

Amendment 10, page 28, line 36, leave out “and 336B” and insert “to 336BA”.

This amendment is consequential on amendment 9.

Amendment 11, page 28, line 38, leave out “and 336B” and insert “to 336BA”.

This amendment is consequential on amendment 9.

Amendment 12, page 29, line 6, at end insert “or in accordance with any provision of section 336BA”.

This amendment is consequential on amendment 9.

Amendment 13, page 29, line 27, at end insert—

“() an immigration officer who is not below such grade as is designated by the Secretary of State as equivalent to that rank.”

This amendment enables senior immigration officers to make applications in England and Wales and Northern Ireland to extend the moratorium period under new section 336A of the Proceeds of Crime Act 2002.

Amendment 14, page 29, line 46, at end insert—

“() an immigration officer who is not below such grade as is designated by the Secretary of State as equivalent to that rank.”

This amendment enables senior immigration officers to make applications in Scotland to extend the moratorium period under new section 336A of the Proceeds of Crime Act 2002.

Amendment 15, page 29, line 46, at end insert—

“() “Working day” means a day other than—

- (a) a Saturday,
- (b) a Sunday,
- (c) Christmas Day,
- (d) Good Friday, or
- (e) a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in the part of the United Kingdom in which the application in question under section 336A is made.”—(*Mr Wallace.*)

This amendment is consequential on amendment 9.

Clause 11

FURTHER INFORMATION NOTICES AND ORDERS

Amendments made: 16, page 35, line 16, after “notice” insert “under this section”.

This is a minor drafting amendment that ensures stylistic consistency with corresponding provisions in the Bill.

Amendment 17, page 35, line 17, after “notice” insert “under this section”.

This is a minor drafting amendment that ensures stylistic consistency with corresponding provisions in the Bill.

Amendment 18, page 37, line 32, leave out from “order” to “may” in line 33 and insert

“made by a magistrates’ court, the magistrates’ court”.

This amendment has the effect that the power to impose a civil penalty for failing to comply with a further information order made under new section 339ZJ of the Proceeds of Crime Act 2002 (inserted by clause 11) would not apply in relation to Scotland to orders made by the sheriff.

Amendment 19, page 37, line 35, leave out from beginning to second “the”.—(*Mr Wallace.*)

This amendment is consequential on amendment 18.

Ordered,

That subsection (3) of clause 12 be transferred to the end of line 19 on page 92.—(*Mr Wallace.*)

This is to move the amendment of Schedule 1 to the Anti-terrorism, Crime and Security Act 2001 from clause 12 into clause 34. Clause 34 makes other amendments of that Schedule, all of which also relate to the forfeiture of terrorist cash.

Clause 13

FORFEITURE OF CERTAIN PERSONAL (OR MOVEABLE) PROPERTY

Amendments made: 20, page 42, line 21, leave out from “only” to end of line 23 and insert

“if the officer has reasonable grounds for suspecting that the unlawful conduct in question relates to an assigned matter (within the meaning of the Customs and Excise Management Act 1979);”.

In addition to removing the restriction on powers discussed in the explanatory statement for NC8, this amendment provides that where an HMRC officer exercises the new powers (inserted by clause 13 into the Proceeds of Crime Act 2002) to search for a listed asset the officer must suspect that the unlawful conduct in question would relate to an assigned matter (that is, any matter in relation to which HMRC has powers or duties other than in relation to devolved tax matters). This is in line with the powers to search for cash in section 289 of the 2002 Act (as amended by amendment 67).

Amendment 21, page 42, leave out lines 32 to 35.

This amendment is consequential on amendment 20.

Amendment 22, page 43, line 10, at end insert—

“(ca) in relation to the exercise of a power by a National Crime Agency officer, the Director General of the National Crime Agency or any other National Crime Agency officer authorised by the Director General (whether generally or specifically) for this purpose;”.

It is intended that National Crime Agency officers will access the powers conferred by new Chapter 3A of Part 5 of the Proceeds of Crime Act 2002 by being designated under section 10 of the Crime and Courts Act 2013 as having the powers and privileges of a constable or by being accredited financial investigators. This amendment sets out who is to be a “senior officer” for the purposes of Chapter 3A when a power is exercised by such an NCA officer.

Amendment 23, page 43, line 22, leave out “paragraph (d)” and insert

“any of the preceding paragraphs”.

This amendment is partly consequential on amendment 22. It also caters for the possibility that an accredited financial investigator could fall within any of existing paragraphs (a) to (c) of new section 303E(4) and not just paragraph (d).

Amendment 24, page 45, line 6, at end insert—

“(2A) The Secretary of State must also consult the Attorney General about the draft in its application to the exercise of powers by SFO officers and the Director of the Serious Fraud Office.”

This amendment inserts into the provision about the making of a code of practice by the Secretary of State the equivalent of new subsection (2A) of section 292 of the Proceeds of Crime Act 2002 that is inserted by paragraph 14(3) of Schedule 1 to the Bill.

Amendment 25, page 47, leave out lines 13 to 21.

See the explanatory statement for NC8.

Amendment 26, page 56, line 41, at end insert—

“() If the property was seized by a National Crime Agency officer, the compensation is to be paid by the National Crime Agency.”

This amendment sets out by whom compensation is to be paid under new section 303W of the Proceeds of Crime Act 2002 if property seized under new Chapter 3A of Part 5 of that Act was seized by a National Crime Agency officer. See also the explanatory statement for amendment 22.

Amendment 27, page 56, line 44, after “officer” insert “or a National Crime Agency officer”.—(*Mr Wallace.*)

This amendment is consequential on amendment 26.

Clause 14**FORFEITURE OF MONEY HELD IN BANK AND BUILDING
SOCIETY ACCOUNTS**

Amendments made: 28, page 59, leave out lines 32 to 40.

See the explanatory statement for New Clause NC8.

Amendment 29, page 60, line 5, at end insert—

“() the Director General of the National Crime Agency or any other National Crime Agency officer authorised by the Director General (whether generally or specifically) for this purpose, or”.

It is intended that National Crime Agency officers will access the powers conferred by new Chapter 3B of Part 5 of the Proceeds of Crime Act 2002 by being designated under section 10 of the Crime and Courts Act 2013 as having the powers and privileges of a constable or by being accredited financial investigators. This amendment sets out who within the NCA is to be a “senior officer” for the purposes of Chapter 3B.

Amendment 30, page 65, line 34, at end insert—

“() Where money is released by virtue of subsection (6)(a), there must be added to the money on its release any interest accrued on it whilst in the account referred to in section 303Z9(6)(b).”

If, under new section 303Z12 of the Proceeds of Crime Act 2002, a court sets aside the forfeiture of money pursuant to an account forfeiture notice, this amendment provides that there must be added to the money that is released any interest accrued on that money in the period since its forfeiture.

Amendment 31, page 67, line 33, at end insert—

“() Where money is released by virtue of subsection (4), there must be added to the money on its release any interest accrued on it whilst in the account referred to in section 303Z14(7)(a).”

If, under new section 303Z16 of the Proceeds of Crime Act 2002, a court upholds an appeal against the making of a forfeiture order and orders the release of all or part of the forfeited money, this amendment provides that there must be added to the money that is released any interest accrued on that money in the period since its forfeiture.

Amendment 32, page 68, line 33, at end insert—

“() If the account freezing order was applied for by a National Crime Agency officer, the compensation is to be paid by the National Crime Agency.”

This amendment sets out by whom compensation is to be paid under new section 303Z18 of the Proceeds of Crime Act 2002 if an account freezing order made under new Chapter 3B of Part 5 of that Act was applied for by a National Crime Agency officer. See also the explanatory statement for amendment 29.

Amendment 33, page 68, line 36, after “officer” insert “or a National Crime Agency officer”.—(Mr Wallace.)

This amendment is consequential on amendment 32.

Clause 28**ACCREDITED FINANCIAL INVESTIGATORS**

Amendments made: 34, page 80, line 6, leave out paragraph (b).

The amendment made by the provision that is left out now forms part of the amendment made by amendment 64.

Amendment 35, page 80, line 15, leave out paragraph (b).

The amendment made by the provision that is left out now forms part of the amendment made by amendment 65.

Amendment 36, page 80, line 32, leave out paragraph (b).—(Mr Wallace.)

The amendment made by the provision that is left out now forms part of the amendment made by amendment 68.

Clause 30**CONFISCATION ORDERS AND CIVIL RECOVERY: MINOR
AMENDMENTS**

Amendments made: 37, page 80, line 44, at end insert—

“(3A) In section 230 (free property: Northern Ireland), in subsection (3)(b) for “or 297D” substitute “, 297D or 298(4)”.

Clause 30(2) and (3) amends sections 82 and 148 of the Proceeds of Crime Act 2002, which determine what constitutes “free property”, in relation to confiscation proceedings in England and Wales and Scotland respectively, by providing that property detained under section 298(4) of the 2002 Act is not free property. This amendment provides for a corresponding change to be made to section 230, which applies in the case of confiscation proceedings in Northern Ireland.

Amendment 38, page 81, line 4, at end insert—

“() In section 290 (prior approval to exercise of section 289 search powers), in subsection (4), after paragraph (aa) (inserted by Schedule 1 to this Act) insert—

“(ab) in relation to the exercise of a power by a National Crime Agency officer, the Director General of the National Crime Agency or any other National Crime Agency officer authorised by the Director General (whether generally or specifically) for this purpose,”.

() In section 297A (forfeiture notice), in subsection (6), after paragraph (ba) (inserted by Schedule 1 to this Act, but before the “or” at the end of that paragraph) insert—

“(bb) the Director General of the National Crime Agency or any other National Crime Agency officer authorised by the Director General (whether generally or specifically) for this purpose,”.

() In section 302 (compensation), after subsection (7ZA) (inserted by Schedule 1 to this Act) insert—

“(7ZB) If the cash was seized by a National Crime Agency officer, the compensation is to be paid by the National Crime Agency.”—(Mr Wallace.)

This amendment clarifies the way in which Chapter 3 of Part 5 of the Proceeds of Crime Act 2002 is to operate when powers are exercised by a National Crime Agency officer who has been designated under section 10 of the Crime and Courts Act 2013 as having the powers and privileges of a constable or who is an accredited financial investigator.

Clause 33**FURTHER INFORMATION NOTICES AND ORDERS**

Amendments made: 39, page 87, line 40, after first “notice” insert “under this section”.

This is a minor drafting amendment that ensures stylistic consistency with corresponding provisions in the Bill.

Amendment 40, page 88, line 1, after “notice” insert “under this section”.

This is a minor drafting amendment that ensures stylistic consistency with corresponding provisions in the Bill.

Amendment 41, page 88, line 2, after “notice” insert “under this section”.

This is a minor drafting amendment that ensures stylistic consistency with corresponding provisions in the Bill.

Amendment 42, page 90, line 20, leave out from “order” to “may” in line 21 and insert

“made by a magistrates’ court, the magistrates’ court”.

This amendment has the effect that the power to impose a civil penalty for failing to comply with a further information order made under new section 22D of the Terrorism Act 2000 (inserted by clause 33) would not apply in relation to Scotland to orders made by the sheriff.

Amendment 43, page 90, line 23, leave out from beginning to second “the”.—(*Mr Wallace.*)

This amendment is consequential on amendment 42.

Clause 52

EXTENT

Amendments made: 44, page 109, line 20, at end insert—

“() section (Her Majesty’s Revenue and Customs: removal of restrictions)(4)(c);”.

This amendment is consequential on NC8.

Amendment 45, page 109, line 30, at end insert—

“() section (Her Majesty’s Revenue and Customs: removal of restrictions)(2), (3) and (4)(d);”.

This amendment is consequential on NC8.

Amendment 46, page 109, line 39, at end insert—

“() section30(3A).”—(*Mr Wallace.*)

This amendment is consequential on amendment 37.

Clause 53

COMMENCEMENT

Amendments made: 47, page 110, line 10, after “28(3)” insert “and 30(3A)”.

This amendment is consequential on amendment 37.

Amendment 48, page 110, line 13, after “Sections” insert

“(Her Majesty’s Revenue and Customs: removal of restrictions);”.

This amendment provides for NC8 to come into force two months after Royal Assent.

Amendment 49, page 111, line 1, at end insert—

“() section12(1) and (2);”.

This amendment provides for consultation with the Scottish Ministers before the Secretary of State makes regulations commencing clause 12(1) and (2) of the Bill.

Amendment 50, page 111, line 13, at end insert—

“() section12(1) and (2);”—(*Mr Wallace.*)

This amendment provides for consultation with the Department of Justice in Northern Ireland before the Secretary of State makes regulations commencing clause 12(1) and (2) of the Bill.

Schedule 1

POWERS OF MEMBERS OF STAFF OF SERIOUS FRAUD OFFICE

Amendment made: 51, page 114, line 32, leave out sub-paragraph (3).—(*Mr Wallace.*)

The amendment made by the provision that is left out now forms part of the amendment made by amendment 69.

Schedule 3

FORFEITURE OF CERTAIN PERSONAL (OR MOVEABLE) PROPERTY

Amendment made: 52, page 124, line 44, after first “to” insert “a magistrates’ court,”.—(*Mr Wallace.*)

The amendment mirrors for new Part 4A of Schedule 1 to the Anti-terrorism, Crime and Security Act 2001 the change being made to existing Schedule 1 to the 2001 Act by amendment 60.

Schedule 4

FORFEITURE OF MONEY HELD IN BANK AND BUILDING SOCIETY ACCOUNTS

Amendments made: 53, page 135, line 35, after “But” insert “—

(a)”

The amendment is consequential on amendment 54.

Amendment 54, page 135, line 37, at end insert “, and

(b) the senior officer must consult the Treasury before making the application for the order or (as the case may be) authorising the application to be made, unless in the circumstances it is not reasonably practicable to do so.”

The amendment introduces a consultation requirement into the process of applying for an account freezing order under new Part 4B of Schedule 1 to the Anti-terrorism, Crime and Security Act 2001. The requirement to consult will enable the Treasury to consider whether it is a case in which it should be exercising its powers under the Terrorist Asset-Freezing etc Act 2010.

Amendment 55, page 140, line 28, after “aside” insert “(or recalling)”.

This amendment takes account of the fact that in Scotland an account freezing order will be recalled rather than set aside.

Amendment 56, page 142, line 7, at end insert—

“() Where money is released by virtue of sub-paragraph (6)(a), there must be added to the money on its release any interest accrued on it whilst in the account referred to in paragraph 10W(6)(b).”

If, under new paragraph 10Z of Schedule 1 to the Anti-terrorism, Crime and Security Act 2001, a court sets aside the forfeiture of money pursuant to an account forfeiture notice, this amendment provides that there must be added to the money that is released any interest accrued on that money in the period since its forfeiture.

Amendment 57, page 144, line 20, at end insert—

“() Where money is released by virtue of sub-paragraph (5), there must be added to the money on its release any interest accrued on it whilst in the account referred to in paragraph 10Z2(7)(a).”—(*Mr Wallace.*)

If, under new paragraph 10Z4 of Schedule 1 to the Anti-terrorism, Crime and Security Act 2001, a court upholds an appeal against the making of a forfeiture order and orders the release of all or part of the forfeited money, this amendment provides that there must be added to the money that is released any interest accrued on that money in the period since its forfeiture.

Schedule 5

MINOR AND CONSEQUENTIAL AMENDMENTS

Amendments made: 60, page 148, line 18, at end insert—

“() In paragraph 3(3A), in the words before paragraph (a), after “application to” insert “a magistrates’ court,”

This amendment inserts a reference to a magistrates’ court into paragraph 3(3A) of Schedule 1 to the Anti-terrorism, Crime and Security Act 2001, which concerns the making of the first application to extend a period of detention of seized cash and allows the application to be made and heard without notice and heard and determined in private.

Amendment 61, page 149, line 4, at end insert—

“() After paragraph 10Z8 (inserted by section 38) insert—

PART 4D

PROCEEDINGS UNDER THIS SCHEDULE

“Powers for prosecutors to appear in proceedings

“10Z9 (1) The Director of Public Prosecutions or the Director of Public Prosecutions for Northern Ireland may appear for a person mentioned in sub-paragraph (2) in proceedings under this Schedule if the Director—

- (a) is asked by, or on behalf of, the person to do so, and
- (b) considers it appropriate to do so.

(2) The persons referred to in sub-paragraph (1) are—

- (a) a constable;
- (b) a counter-terrorism financial investigator;
- (c) the Commissioners for Her Majesty’s Revenue and Customs;
- (d) an officer of Revenue and Customs;
- (e) an immigration officer.

(3) The Director of Public Prosecutions may authorise a person (generally or specifically) to carry out the functions of the Director under sub-paragraph (1) if the person is—

- (a) a member of the Director’s staff;
- (b) a person providing services under arrangements made by the Director.

(4) The Director of Public Prosecutions and the Director of Public Prosecutions for Northern Ireland may charge fees for the provision of services under this paragraph.”

This amendment inserts an additional Part into Schedule 1 to the Anti-terrorism, Crime and Security Act 2001, conferring power on the Director of Public Prosecutions and the Director of Public Prosecutions for Northern Ireland to appear in proceedings under the Schedule. It is the equivalent of section 302A of the Proceeds of Crime Act 2002, read with section 2C of that Act.

Amendment 62, page 149, line 18, leave out “In section 2C (prosecuting authorities), in” and insert—

“(1) Section 2C (prosecuting authorities) is amended as follows.

(2) In”.

This amendment is consequential on amendment 63.

Amendment 63, page 149, line 18, at end insert—

“(3) In subsection (3A), after “302A” insert “, 303X or 303Z19”.

This amendment inserts into Schedule 5 to the Bill an amendment of section 2C(3A) of the Proceeds of Crime Act 2002 which is consequential on clauses 13 and 14 of the Bill. Section 2C(3A) prevents section 2C(3) from applying to the functions that the Director of Public Prosecutions for Northern Ireland has under section 302A of the 2002 Act. New sections 303X and 303Z19 of that Act, which are added to section 2C(3A) by the amendment, mirror section 302A.

Amendment 64, page 149, line 27, at end insert—

“17A In section 47G (appropriate approval for exercise of search and seizure powers in England and Wales), in subsection (3)(c), after “investigator”, in the first place it occurs, insert “who does not fall within any of the preceding paragraphs”.

This amendment clarifies that an accredited financial investigator could fall within any of paragraphs (a) to new (ba) of section 47G(3) of the Proceeds of Crime Act 2002. See also the explanatory statement for amendment 34.

Amendment 65, page 150, line 26, at end insert—

“21A In section 195G (appropriate approval for exercise of search and seizure powers in Northern Ireland), in subsection (3)(c), after “investigator”, in the first place it occurs, insert “who does not fall within any of the preceding paragraphs”.

This amendment clarifies that an accredited financial investigator could fall within any of paragraphs (a) to new (ba) of section 195G(3) of the Proceeds of Crime Act 2002. See also the explanatory statement for amendment 35.

Amendment 66, page 150, line 33, at end insert—

“() in paragraph (b) (as amended by section 30(3A) of this Act), for “or 298(4)” substitute “, 298(4) or 303O(5)”;

This amendment is consequential on amendment 37.

Amendment 67, page 151, line 19, at end insert—

“25A In section 289 (searches), in subsection (5)(b) for “a customs officer” substitute “an officer of Revenue and Customs”.

This amendment corrects an out of date reference to a customs officer.

Amendment 68, page 151, leave out line 20 and insert—

“26 (1) Section 290 (prior approval) is amended as follows.

(2) In subsection (4)(c), after “investigator”, in the first place it occurs, insert “who does not fall within any of the preceding paragraphs”.

(3) After subsection (6) insert—

This amendment is partly consequential on amendment 38. It also clarifies that an accredited financial investigator could fall within any of paragraphs (a) to new (ba) of section 290(4) of the Proceeds of Crime Act 2002. See also the explanatory statement for amendment 36.

Amendment 69, page 151, line 25, at end insert—

“26A In section 302 (compensation), in subsection (7A), for “or a constable” substitute “, a constable, an SFO officer or a National Crime Agency officer”.

This amendment is consequential on amendment 38. See also the explanatory statement for amendment 51.

Amendment 70, page 152, line 33, leave out from beginning to “in” and insert—

“(1) Section 333D (tipping off: other permitted disclosures) is amended as follows.

(2)”.

This amendment is consequential on amendment 71.

Amendment 71, page 152, line 39, at end insert—

“() After subsection (1) insert—

“(1A) Where an application is made to extend a moratorium period under section 336A, a person does not commit an offence under section 333A if—

- (a) the disclosure is made to a customer or client of the person,
- (b) the customer or client appears to the person making the disclosure to have an interest in the relevant property, and
- (c) the disclosure contains only such information as is necessary for the purposes of notifying the customer or client that the application under section 336A has been made.

“Moratorium period” and “relevant property” have the meanings given in section 336C.”

This amendment provides that a person carrying on a business in the regulated sector does not commit a tipping off offence under section 333A of the Proceeds of Crime Act 2002 simply by telling a customer that an application to extend a moratorium period, which would prevent a transaction with the customer being concluded, has been made.

Amendment 72, page 162, line 21, at end insert—

“68A In section 445 (external investigations), omit subsection (3). —(Mr Wallace.)

Section 445 of the Proceeds of Crime Act 2002 confers a power enabling orders to be made corresponding to those under Part 8 of that Act in connection with external investigations. Subsection (3) of that section provides that the power cannot be exercised so as to enable a disclosure order to be made for the purposes of an external investigation into whether a money laundering offence has been committed. This amendment removes that restriction, in line with clauses 7 and 8.

Sue Hayman (Workington) (Lab): On a point of order, Mr Speaker. I wonder whether you could advise me. I have been to Downing Street today, along with a constituent who had travelled all the way from west Cumbria to hand in a petition. Unfortunately, we were turned away at the gates. I was told that I would not be allowed to go to Downing Street to hand in a petition that had been booked in through the proper procedures. We had been offered a time to hand in a petition about health services, so it was understood what the petition was about. However, when I asked the security officer from No. 10 Downing Street why I was not allowed to hand in the petition, as had been agreed, he told me that today was “not a good day”. When I pressed him, he told me that I could hand in the petition “after Thursday”.

I am concerned that I have been prevented from handing in a petition that was properly booked in, through the proper procedures, because of a by-election, and that this has been politicised. Can you advise me, Mr Speaker, on what is my best course of action?

Mr Speaker: I am grateful to the hon. Lady for her point of order and for giving me a moment’s notice of it. She is clearly concerned and aggrieved. My initial response is to say to her that this is not a point of order for the Chair, or, for that matter, a subject for the House authorities. I understand her concern, not least in terms of personal inconvenience, and I trust that her point of order has been heard on the Treasury Bench. It is very much a matter for Ministers, with whom it has not been registered, but I repeat that it is not a matter for the Chair.

Third Reading

5.48 pm

Mr Wallace: I beg to move, That the Bill be now read the Third time.

Financial profit is at the heart of almost all forms of serious and organised crime, which directly affects the most vulnerable in society. The Bill will significantly improve our ability to tackle money laundering, corruption, tax evasion and terrorist financing. It is a key part of the Government’s critical work to reduce the flow of dirty money into the City and to cut off the funding streams to the fraudsters, money launderers and kleptocrats.

This country is the largest centre for cross-border banking. The UK is, and will remain, a good place to do business. However, the National Crime Agency estimates that up to £90 billion may be laundered here each year. I have made it clear—as has my right hon. Friend the Prime Minister and, indeed, her predecessor—that we need to make the UK a hostile environment for those seeking to move, hide and use the proceeds of crime and corruption. In an increasingly competitive international marketplace, the UK simply cannot afford to be seen as a haven for dirty money. We must not turn a blind eye to the money of corrupt officials that flows through businesses, banks and property, and that is why the Bill is so important.

I thank the shadow Home Secretary, the right hon. Member for Hackney North and Stoke Newington (Ms Abbott), and the hon. Member for Ealing Central and Acton (Dr Huq), as well as the hon. Members for Dumfries and Galloway (Richard Arkless) and for Kirkcaldy and Cowdenbeath (Roger Mullin), for their

input throughout the Bill’s passage so far. Other hon. Members have also brought considerable knowledge and expertise to the proceedings.

The Government, and I as the Minister concerned, have been determined to be open to input from all parties, and I am pleased that we have made some concessions towards addressing the issues raised. I know we have not dealt with all the concerns raised, but I hope that I have made sure that the Bill leaving this place is better than when it was introduced and that it has taken on the points raised by both the Labour party and the SNP, and indeed by my hon. Friends on the Conservative Back Benches.

We had further detailed debate of the Bill on Report today, with many well-informed contributions from all parts of the House. The debate has covered the scope of the unexplained wealth orders and other powers in part 1 of the Bill, as well as the corporate offences regarding the failure to prevent the facilitation of tax evasion.

Of course much of today’s debate has focused on issues that were not part of the Bill itself, notably the new clause in the name of my hon. Friend the Member for Esher and Walton (Mr Raab) and the right hon. Member for Barking (Dame Margaret Hodge) and others, which sought to impose sanctions on those involved in gross human rights abuse or violations overseas. The strength of feeling on this issue is clear, and the treatment of Sergei Magnitsky was undeniably deplorable.

This Government are committed to promoting and strengthening universal human rights globally. Our approach focuses on holding to account those states responsible for the worst violations of human rights and working with those states determined to strengthen protections against abuse. But we have listened to the House, and our amendment will allow for the recovery of property connected with torture or cruel, inhumane and degrading treatment overseas. This sends out the strong message that those seeking to profit from torture and other serious abuses will not be able to do so in the UK.

The House also debated the commitments made by the overseas territories to tackling corruption and money laundering in their financial systems. The UK is at the forefront of the global approach to increasing corporate transparency and tackling tax evasion and corruption. That work started under David Cameron, and it continues.

I share the desire for the Crown dependencies and overseas territories to take further steps towards full corporate transparency. That is why this Government continue to work closely with them towards that goal, but we must recognise the significant progress they have already made, putting them well ahead of many other jurisdictions.

The Bill and the wider package of measures of which it is a part will give agencies the powers they need to ensure that crime does not pay in a Britain that works for everyone. It is important that these powers are available to all parts of the UK, but, as I have said, we will await the outcome of elections in Northern Ireland before we commence the provisions there.

The need for this legislation is significant and particularly timely as we negotiate our future relationship with the European Union. Now, more than ever, we must showcase the UK as one of the best places in the world to do business, as we form new ties with international friends and partners.

[Mr Wallace]

Serious and organised crime costs the UK at least £24 billion annually and deprives people of their security and prosperity. We task our law enforcement agencies with combating the evolving threat from both criminals and terrorists, and I pay credit to those agencies for all the work they do on our behalf, but without the necessary powers to pursue and prevent these illicit activities, they fight a losing battle.

This Government have done more than any other to tackle money laundering and terrorist financing, but the scale of the threat is clear and we must do more. This Bill sends the clear message that we will not stand for money laundering or the funding of terrorism through the UK, and I commend it to the House.

5.53 pm

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): We in the Opposition broadly support the thrust of this legislation, and we have noted that the Minister has proved to be a listening Minister, which we welcome.

Tax avoidance and money laundering are the opposite of victimless crimes. In the first instance, there are inflated asset prices in the territories where the money is laundered, and there is no bigger example of that than the housing market in this country, particularly in London. In some of the most expensive parts of London, we can walk down streets where most of the houses are completely empty. Some might be empty because it is the wrong time of year for their owner to be there, and others because they have been bought as an investment, but increasing numbers of those properties are being used to launder money, and if this legislation can bear down on that, it will be of value not least to people who are victims of the wildly inflated London housing market.

Tax avoidance and money laundering mean a loss of tax for some of the poorest communities in the world. I was in Ghana last year looking at tax avoidance and evasion, and I was struck by the fact that a woman selling drinks by the side of the road could pay proportionally more tax than some of the biggest drinks manufacturers in the world. These are distorted systems of taxation, and if this legislation can bear down on that type of tax avoidance, it is to be welcomed. I was pleased to hear the Minister say that we are beginning to return money to some of those territories, notably Macau. I believe that we have also signed an accord with Nigeria. Above all, this legislation is important for suppressing corruption. It is not just a law-enforcement measure; it is also, indirectly, an anti-corruption measure.

I remind the House that the genesis of the Bill was the Panama papers, which revealed extremely widespread and highly lucrative avoidance of tax on an industrial scale. There were 11 million leaked files, and Britain was the second most prominent country in which the law firms' middlemen operated. It was second only to Hong Kong. One British overseas territory, the British Virgin Islands, was by far the most popular tax haven state used by the firms in the documents. The Minister has said that we are at the forefront of taking action on tax avoidance and money laundering, and so we should be. The UK has sovereignty over one third of tax havens internationally.

We welcome the Government's new clause 7, which will bear down on money recycled as a consequence of human rights abuses elsewhere. We still believe that there is insufficient scope for the civil recovery of assets, and the enforcement powers in the civil recovery provisions could be improved. There are particularly important omissions regarding the penalties for offences relating to the facilitation of tax avoidance, involving middlemen such as lawyers, accountants and straightforward spivs such as those identified in the Panama papers.

On the disclosure of beneficial ownership, we feel that there is a major problem, as the lack of disclosure can help to facilitate money laundering and corruption. Let us take an example. In the Department for Business, Innovation and Skills consultation paper published in March 2016, the Government said that between 2004 and 2014, more than £180 million-worth of property in the UK was being investigated by UK law enforcement agencies as it was suspected of being funded by the proceeds of corruption. Moreover, more than 75% of those properties had offshore corporate ownership. That is believed to be the tip of the iceberg in terms of scale and of the proceeds of corruption being invested in UK property through offshore companies.

On the British overseas territories and Crown dependencies, I understand the technical argument that we cannot apply the same regime to those areas, but the moral issue is substantially the same. Some Members have spoken as though the populations of those territories as a whole benefit from financial services, but that is not the case. Only in recent years has the financial services industry been open to employing people born and bred on those islands in advisory, legal and management positions. Just because the political elites in those countries argue for light-touch regulation, let us not delude ourselves that financial services are helping the territories as a whole. We believe that the argument that we cannot impose proper standards on those territories is false. UK jurisdiction applies in all matters of defence and security, and the House has a right and a duty to see how best to impose those laws.

The people who are benefiting from the secrecy and the lack of regulation are the tax evaders and avoiders, the money launderers, the major criminal enterprises and the terrorist networks. We urge the Government to move forward on those issues. If legislation is required for onshore activity here in the UK, most reasonable people would argue that it is even more pressing to include overseas territories and Crown dependencies.

The Opposition are calling for a wide-ranging review of the UK tax gap, including an assessment of the loss of income tax due to tax evasion. As several Members on both sides of the House have said, if the legislation simply rests on the statute book and does not result in commensurate prosecutions, it will be a dead letter. We note that the Minister has listened thus far, and I hope that the Government and the appropriate Departments are listening when I urge them to ensure that the legislation amounts to more than just good intentions and that it is actively used to bear down on tax evasion, money laundering and corruption.

Mr Speaker: This debate has been concluded with notable speed.

Question put and agreed to.

Bill accordingly read the Third time and passed.

Social Security and Pensions

6.1 pm

The Parliamentary Under-Secretary of State for Welfare Delivery (Caroline Nokes): I beg to move,

That the draft Social Security Benefits Up-rating Order 2017, which was laid before this House on 16 January, be approved.

Mr Speaker: With this we shall consider the following motion:

That the draft Guaranteed Minimum Pensions Increase Order 2017, which was laid before this House on 16 January, be approved.

Caroline Nokes: With the leave of the House, and as you have indicated, Mr Speaker, my remarks will cover motions 3 and 4 on the Order Paper. In my view, the provisions in both orders are compatible with the European convention on human rights.

I will first deal with an entirely technical matter that we attend to in this place each year and that I do not imagine we will need to dwell on today. The Guaranteed Minimum Pensions Increase Order 2017 provides for contracted-out benefit schemes to increase members' guaranteed minimum pensions that accrued between 1988 and 1997 by 1%.

The Social Security Benefits Up-rating Order 2017 reflects the Government's continuing commitment to increase the basic and new state pension with the triple lock by 2.5%, to increase the pension credit standard minimum guarantee in line with earnings, and to increase benefits to meet additional disability needs and carer benefits in line with prices. The Chancellor reaffirmed this Government's commitment to the triple lock for the length of this Parliament in his autumn statement on 23 November last year, ensuring that the basic state pension will continue to be uprated by the highest of earnings, prices or 2.5%. This year, the increase in average earnings and the increase in prices were less than the baseline of 2.5%, meaning that the basic state pension will increase by 2.5%. From April 2017, the rate of the basic state pension for a single person will increase by £3 to £122.30 a week. As a result, the basic state pension will be more than £1,200 a year higher from April 2017 compared with April 2010. We estimate that the basic state pension will be around 18.5% of average earnings—one of its highest levels relative to earnings for over two decades.

Last year, the Government introduced the new state pension for people reaching their state pension age from 6 April 2016 onwards, making the system clearer and providing a sustainable foundation for private saving. The Government have previously announced that the triple lock will apply to the full rate of the new state pension for the length of this Parliament. This is the first year that the new state pension will be uprated. As a result, the full rate of the new state pension will also increase by 2.5% this year, meaning that from April 2017 the full rate of the new state pension will increase by £3.90 to £159.55 a week—around 24.2% of average earnings.

We are continuing to take steps to protect the poorest pensioners, including through the pension credit standard minimum guarantee, the means-tested threshold below which pensioner income should not fall. The pension credit standard minimum guarantee will rise in line with

average earnings at 2.4%, meaning that from April 2017 the single person threshold of this safety net benefit will rise by £3.75 to £159.35. Pensioner poverty continues to stand at one of the lowest rates since comparable records began.

On the additional state pension, this year state earnings-related pension schemes, the other state second pensions and protected payments in the new state pension will rise in line with prices, by 1%. The Government will continue to ensure that carers and people who face additional costs because of their disability will see their benefits uprated in the usual way, so disability living allowance, attendance allowance, carer's allowance, incapacity benefit and the personal independence payment will all rise in line with prices, by 1%, from April 2017.

In addition, those disability-related and carer premiums paid with pension credit and working-age benefits will also increase by 1%, as will the employment and support allowance support group component and the limited capability for work and work-related activity element of universal credit.

This Government will be spending an extra £2.5 billion in 2017-18 on uprating benefit and pension rates. With the guaranteed minimum pensions increase order we continue: to maintain our commitment to the triple lock for both the basic and the new state pension for the length of this Parliament; to increase the pension credit standard minimum guarantee by earnings; and to increase benefits that reflect the additional costs that disabled people face as a result of their disability, and carers' benefits, in line with prices. That includes increases to the disability living allowance, attendance allowance, carer's allowance, incapacity benefit, the personal independence payment and disability carer premiums.

I commend the orders to the House.

6.6 pm

Debbie Abrahams (Oldham East and Saddleworth) (Lab): I will start with some general comments on the Guaranteed Minimum Pensions Increase Order 2017 before turning to the Social Security Benefits Up-rating Order 2017.

Clearly we support the uprating of the guaranteed minimum pension in line with prices. However, I wish to touch on issues raised in last year's National Audit Office report on the guaranteed minimum pension and the new state pension arrangements that came into effect last year. As we have heard, the Guaranteed Minimum Pensions Increase Order provides an annual increase in the guaranteed minimum pension where there has been an increase in the general level of prices during the period under review.

When the additional state pension was introduced in 1978, an option was created under which an individual could contract out into another pension scheme on the basis that that other scheme met certain criteria. In that instance, both the employee and their employer paid a reduced national insurance contribution given that they were forgoing the state pension entitlements. Between 1978 and 1997, schemes that took on such new members were required to provide a guaranteed minimum pension—a new test was applied after 1997. Nevertheless, contracted-out schemes still had to provide a guaranteed minimum pension to scheme members for rights accrued between 1978 and 1997.

[Debbie Abrahams]

In 2016, the introduction of the new state pension ended contracting out by replacing the additional state pension with a single tier. Working-age people will now have their existing state pension entitlement adjusted for previous periods of contracting out and transferred to the new state pension scheme. Occupational pension scheme providers will continue to revalue any guaranteed minimum pensions that people have built up.

For people retiring after 6 April 2016, the Government will no longer take account of inflation increases to guaranteed minimum pensions when uprating people's new state pension. The changes mean any guaranteed minimum pensions accrued between 1978 and 1988 will not be uprated, and the scheme provider will uprate guaranteed minimum pensions built up between 1988 and 1997 only to a maximum of 3% each year.

The National Audit Office was contacted by people approaching retirement age who had concerns that the new arrangements for a single-tier state pension will leave them worse off than they would have been under the guaranteed minimum pension. People also raised concerns about the lack of notice. Where have we heard that before? The NAO investigated and concluded that there would be some winners and some losers under the new arrangements, depending on the amount of time that people were contracted into a scheme. The NAO also commented that, again, there had been a dearth of information for those new retirees.

The NAO suggested that those who lose under the new rules may be able to build up additional entitlement to the state pension. The report recommended that the Government, via the Department for Work and Pensions, improve their evidence and analysis of the impact of these reforms, and provide much clearer, targeted information to the public about how they will be affected. I would be very grateful if the Minister updated us on how her Department is responding to the findings of the NAO report.

The Social Security Benefits Up-rating Order 2017 provides for the annual uprating of social security entitlements excluded from the Government's freeze to levels of social security enacted in the Welfare Reform and Work Act 2016. This year, the Secretary of State has decided to uprate social security entitlements by inflation under the consumer prices index measure, which is at 1%. As the Minister explained, that covers attendance allowance, carer's allowance, disability living allowance, the personal independence payment, industrial injuries disablement benefit, bereavement benefits, incapacity benefit and severe disablement allowance, to name but a few. The Secretary of State has also decided to uprate the new state pension in accordance with the triple lock, and pension credit in line with earnings, at 2.4%.

We would not stand in the way of measures to increase the adequacy of the social security safety net provided by those benefits, especially not after seven years in which the system has been under considerable attack. We will therefore support the uprating order, but I must take this opportunity to expand on my real concerns about the inadequate uprating, particularly in the context of the freezing of many social security payments under last year's Welfare Reform and Work Act, and the real cuts to some kinds of social security support, such as the employment and support allowance,

the support for those in the work-related activity group, the universal credit work allowances, and the widow's pension allowance, which we discussed yesterday, again to name just a few. This is an erosion of the adequacy of social protection for those who are often the most vulnerable in society.

Justin Tomlinson (North Swindon) (Con): Surely the shadow Minister recognises that our support for those with long-term health conditions and disabilities has increased by £3 billion a year, to a record amount. That shows that we are directing money to the most vulnerable in society—rightly so.

Debbie Abrahams: I am grateful to the former Parliamentary Under-Secretary of State for Disabled People. Actually, we know that social security support will have declined by 2020.

Justin Tomlinson *indicated dissent.*

Debbie Abrahams: The former Minister shakes his head, but these are the Government's own figures. If we look at spending across Europe as a percentage of GDP, we see that we are below the EU average when it comes to social security spending, just as we are on health spending.

Let us start with rising costs. Traditionally, the link between social security and inflation has ensured that some of the most vulnerable households in our country are not made worse off, year on year, by inflation in the cost of basic goods and services. The adequacy of social security has been heavily eroded over the past seven years. Research by the Joseph Rowntree Foundation demonstrates that the price of essentials has risen three times faster than wages over the past 10 years. When that is combined with the coalition's initial 1% freeze on uprating, introduced in the Welfare Reform Act 2012, and the complete social security freeze put in place in last year's Act, it means that low-income households have seen a significant deterioration in the adequacy of social security support since 2010.

Clearly, the historic drop in oil prices and subsequent slow-down in inflation of the price of household goods provided some respite to low-income households, but we know that the impact of the EU referendum on, for example, food and fuel prices is only just starting. People on low incomes spend a much larger proportion of their household budgets on the essential goods and services that have been so prone to inflation, so they are likely to have felt the effects of spiralling prices long after they have slowed down.

The costs of basic household items are beginning to rise again, with last month's official figures showing inflation at a two-year high of 1.8%. I understand that the actual increase in food prices has been approximately 20%, but that has only just started to be passed on to consumers, so it is going to get worse. That puts real pressure on households that are trying to provide for their basic needs. Indeed, last week the Joseph Rowntree Foundation published a report showing that 19 million people are now struggling to make ends meet and get the basics required for a socially acceptable standard of living.

In the context I have set out, a 1% uprating to some social security entitlements is unlikely to do much for those who are struggling to get by. If the Prime Minister

is really serious about helping those people, I urge that there be some reconsideration. As a matter of principle, it seems only fair that social security should rise in line with inflation and should apply to all entitlements, not just the ones that the Government have cherry-picked. Although the economic arguments for a freeze may once have been founded on the slow-down in the prices of the basics that every household needs, now that prices are predicted to rise by 10% by 2020 even that weak economic justification no longer stands up. That is before we even get to the social argument for protecting the incomes of the poorest people in our society, whom this Government have set out to punish over the past seven years.

In last year's inquiry by the all-party group on health into the effect of the Welfare Reform and Work Act 2016 on child poverty and child health, the freeze on social security support payments was singled out as the most damaging. I remind Members that the Institute for Fiscal Studies estimates that child poverty will increase by around 1 million as a direct result of social security and tax changes, and that will impact on those children's health and futures. I make an impassioned plea to the Government and the Minister: we are approaching April, when several other disability benefits will be cut; I urge the Government to reconsider.

I shall not detain the House any longer. I urge the Government to review the cap before price inflation begins to pick up again. If they really cared about those struggling to make ends meet, that is exactly what they would do. In the meantime, although we regret the limit on the groups who will benefit from the uprating, we will support the order.

6.18 pm

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I am glad we are able to debate these orders simultaneously. The Scottish National party will obviously not oppose the social security uprating order, and we certainly welcome the pensions uprating order, but this is an opportunity to put on record, again, our deep concern about the ongoing impact on low-income households of the freeze on working-age benefits. We are particularly concerned about tax credits, which are mostly paid to working families with children, and employment and support allowance, which is paid to those who are not currently fit for work but are in the work-related activity group.

Any of us who regularly pushes a trolley around a supermarket can be in no doubt that the price of basic foods and household essentials is rising, and rising sharply. The depreciation in the value of the pound last year has taken some time to filter through to retail prices, but increases in the price of imported food and other goods is now very visible. The Bank of England has made it clear that it expects inflation to remain well above the 2% target for several years.

Ahead of the Budget and looking further forward, I hope the Government will look again at the benefit freeze and recognise that those on low and middle incomes spend a much larger proportion of their income on essentials than wealthier households and are disproportionately affected by rising food and fuel prices. In that context, a 1% rise in those benefits that are included in the order is unlikely to keep pace with the increase in prices that we expect to see over the

coming months. The hon. Member for Oldham East and Saddleworth (Debbie Abrahams) has already alluded to the Joseph Rowntree Foundation assessment of the rising costs of essentials, which should give us all pause for thought. One simple example is that many of the severely sick and disabled people who will receive a 1% uprating—those who receive ESA as part of the support group—have limited mobility and are likely to spend a lot of time at home. Inevitably, they incur high heating costs during the winter months, yet the cost of energy is rising. Some of the big energy companies have already made announcements of price increases, and others have said that they are set to follow. Benefits that will be uprated by 1% include most disability and carer benefits—ESA, carers and pensioners' premiums, statutory maternity and paternity pay and statutory sick pay. All are paid to people who are likely to be disproportionately affected by rising energy costs, and all are paid to people who are unable to work or who are limited in their ability to work.

Financial hardship is an increasing reality for households affected by sickness and disability and, as prices rise, that will only get worse. Even with increases to the minimum wage and personal allowances, large numbers of working parents and disabled people are significantly worse off in real terms and are finding it harder than ever to make ends meet.

When even the *Financial Times* is highlighting, as it did earlier this month, the strains on household finances that are already apparent and is warning that "a combination of falling living standards and rising inequality would be extremely dangerous in today's febrile politics", we should really heed the warnings.

I want to turn now to pensions and highlight the proposed increase in the single-tier pension. This has been the first full year that the new single-tier pension has been in effect, but I get the very strong impression that it is poorly understood among the general public.

Although I welcome the 2.5% increase in the single-tier pension, I am not at all clear how many pensioners will actually receive the full benefit of that increase. We know that there are both winners and losers in the transition process and that most new pensioners will not receive the full single-tier pension. Before its introduction, it was estimated that only around 22% of women and half of men reaching state pension age would be entitled to the full single-tier pension. Perhaps the Minister can clarify what has happened in practice and whether those sentiments were right. What proportion of male and female pensioners have received the full whack, and what ongoing impact assessment has the Department undertaken?

Perhaps the Minister can give the House an update on the pensions dashboard. I get the sense that there are real gaps in most people's knowledge of the new system and that many people coming up for retirement are in for a nasty shock when they realise that they will not be eligible for as much as they think.

In this context, it would be very wrong not to mention the WASPI women, many of whom got insufficient and wholly inadequate notice of the shift in their pension age, and who, as a consequence, will lose enormous sums of money over the course of their retirement.

This week, I had a letter from a constituent who is one of the WASPI women. She did not get proper information about the changes and she has had no time

[Dr Eilidh Whiteford]

to plan for them. She is facing an uncertain future in more ways than one in that she is currently undergoing treatment for cancer. She says that she does not know whether she will ever receive her pension. She is hopeful that she will make a good recovery—certainly I send her my good wishes. She makes the sobering point that none of us knows what is around the corner. There is a basic injustice here and that is why, even though she is ill, she is determined to fight for a fairer settlement. We can and we must do better by these thousands of women who are losing out.

While we are on the subject of women and gender inequality in pensions, I have to say that I am sorry that, in the past year, the Government have removed savings credits for new pensioners. Around 80% of those who previously benefited from savings credit were women, most of whom will have spent their working lives in low-paid jobs and are unlikely to have had access to an occupational pension scheme. Nevertheless, these are people who have managed to save, against the odds, despite the limited opportunities available to them. There is little enough incentive for people in low-paid jobs to save, and reducing savings credit and abolishing it for new pensioners erodes that incentive even further.

Pensions uprating is a wistful dream for some pensioners. Those who have frozen pensions are left out of the uprating. That is still a very live issue, and one that is likely to be more acute in the months ahead. There are those who are entitled to a UK state pension by virtue of having worked for it and of having paid their contributions but who have, for whatever reason, spent their retirement domiciled abroad. They face very different circumstances depending on whether their country of residence has a reciprocal agreement with the UK for the uprating of state pensions. Those in countries that do not have a reciprocal arrangement with the UK see their pensions frozen at their initial retirement level so, in real terms, the value of their pension falls every single year.

There are thought to be more than half a million people with frozen pensions, mostly in Commonwealth countries such as Australia, Canada, New Zealand and South Africa, but also in countries with strong family and historical links to the UK such as India, Pakistan, parts of the Caribbean and Africa. The issue will only become more acute in the months ahead as the UK leaves the European Union and European economic area. UK pensioners who retire to sunnier parts of the continent—there are thought to be 400,000—currently get their pensions uprated throughout the EEA as normal, but reciprocal arrangements will need to be put in place when we leave the EU if those pensioners are not to find themselves in the same difficult situation as those living in Canada and Australia. I hope that the Minister will be able to share the Government's thinking on that issue, and tell us what steps they are taking to protect UK pensioners who live in other parts of Europe.

We need to deal with the fact that many of those approaching pension age, who have lived through an era of globalisation, will have worked in several EU countries and may have accrued pension rights in several parts of Europe, with wee bits of pension in several systems. That is true for many people who have worked in global industries or for multinational corporations. It is a bit of a minefield, and it would be immensely

helpful if the Minister offered reassurance to UK pensioners living in EU countries that those issues are on the Government's radar and will be addressed. I hope that the Minister will take the opportunity to address all the issues I raised as she closes the debate.

6.26 pm

Caroline Nokes: I thank the hon. Members for Oldham East and Saddleworth (Debbie Abrahams) and for Banff and Buchan (Dr Whiteford), speaking from the Opposition Front Benches, for their contributions. I will attempt to address the specific points raised in full.

The Government did respond to the National Audit Office report outlining the online Check your State Pension service, which now delivers personalised information to people many years in advance. The report also acknowledged that the aggregate impacts of the reforms need to be taken into account. Taking account of all elements of the reform, about 75% of people will receive more from the new state pension by 2030 than under the previous systems. There is no statutory requirement for formerly contracted-out pension schemes to increase for those accrued between 1978 and 1988. The Government do not intend to introduce legislation requiring those schemes to index pre-1988 guaranteed minimum pension rights. This needs to be set in context with the changes to the overall pensions landscape. Other aspects of pension reform may offset the loss of indexation—for example, maintaining the triple lock in this Parliament. Since 2011, the basic state pension has risen by £570 a year more than it would had it been uprated by earnings.

Work, not welfare, is the best and most sustainable route out of poverty, which is why our tax and welfare reforms are designed to ensure that work pays and that increased earnings are rewarded, rather than penalised. However, we remain committed to supporting people who cannot work and those with additional needs, which is why the orders provide for an additional £2.5 billion in 2017-18 to increase benefits for pensioners, carers and the additional costs of disability. We have had to make difficult decisions on spending. To protect those with additional needs, we are increasing the ESA support group component in line with the consumer prices index, and will also increase the enhanced disability, severe disability, carer and pensioner premiums.

The Government are committed to building a country that works for everyone, which is why the forthcoming Green Paper will identify and address the root causes of child poverty, building on the new statutory indicators of parental worklessness and children's educational attainment, which were set out in the Welfare Reform and Work Act 2016.

The hon. Member for Banff and Buchan will be aware that the current policy regarding overseas pensions is a longstanding one of successive Governments that has been in place for almost 70 years. Many Commonwealth countries, including Australia, Canada and New Zealand, have pension systems that take account of overseas pensions as part of their means test. That means that a significant proportion of any increases in the UK state pension would go to the respective Treasuries of those countries. The hon. Lady is, of course, right to point out the issue of British overseas pensioners in other EU member states. Let me reassure her that their rights are part of the negotiation process. The Government are committed to getting the best deal for those pensioners.

The Government will be spending an extra £2.5 billion in 2017-18 on uprating benefit and pension rates. We will be spending over £2.1 billion more on state pensions and pension credit; nearly £0.3 billion more on disabled people and their carers; and £100 million more on people who are unable to work because of sickness or unemployment.

To conclude, the Government are continuing their commitment to the triple lock for both basic and new state pension for the length of this Parliament. We are increasing the pension credit standard minimum guarantee by earnings, and increasing benefits to meet additional disability needs, and carer benefits, by prices. I commend the order to the House.

Question put and agreed to.

PENSIONS

Resolved,

That the draft Guaranteed Minimum Pensions Increase Order 2017, which was laid before this House on 16 January, be approved.—
(*Caroline Nokes.*)

Business without Debate

ESTIMATES

Motion made, and Question put forthwith (Standing Order No. 145),

That this House agrees with the Report of the Liaison Committee of 20 February:

(1) That a day not later than 18 March be allotted for the consideration of the following Estimates for financial year 2016-17: Department for Environment, Food and Rural Affairs, insofar as it relates to future flood prevention, and Department of Health, insofar as it relates to health and social care.

(2) That a further day not later than 18 March be allotted for the consideration of the following Estimates for financial year 2016-17: Department for Business, Energy and Industrial Strategy, insofar as it relates to the Government's productivity plan, and Department for Work and Pensions, insofar as it relates to intergenerational fairness.—(*Steve Brine.*)

Question agreed to.

DELEGATED LEGISLATION

Motion made, and Question put forthwith (Standing Order No. 118(6)),

TOWN AND COUNTRY PLANNING

That the draft Housing and Planning Act 2016 (Permission in Principle etc) (Miscellaneous Amendments) (England) Regulations 2017, which were laid before this House on 20 December 2016, be approved.—(*Steve Brine.*)

The House proceeded to a Division.

Mr Deputy Speaker (Mr Lindsay Hoyle): I inform the House that the motion relates exclusively to England. A double majority is therefore required.

The House having divided: Ayes 273, Noes 107.

Votes cast by Members for constituencies in England: Ayes 260, Noes 84.

Division No. 164]

[6.31 pm

AYES

Afriyie, Adam	Amess, Sir David
Aldous, Peter	Andrew, Stuart
Allan, Lucy	Ansell, Caroline
Allen, Heidi	Argar, Edward

Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Bebb, Guto
Bellingham, Sir Henry
Benyon, rh Richard
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Borwick, Victoria
Brady, Mr Graham
Brazier, Sir Julian
Bridgen, Andrew
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Cairns, rh Alun
Campbell, Mr Gregory
Carmichael, Neil
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chishti, Rehman
Churchill, Jo
Clark, rh Greg
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colville, Oliver
Costa, Alberto
Courts, Robert
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Dinenage, Caroline
Djanogly, Mr Jonathan
Donaldson, rh Sir Jeffrey M.
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Ellis, Michael
Ellison, Jane
Ellwood, Mr Tobias
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh David
Fabricant, Michael
Fallon, rh Sir Michael
Fernandes, Suella
Field, rh Mark
Foster, Kevin

Francois, rh Mr Mark
Frazer, Lucy
Fysh, Marcus
Gale, Sir Roger
Garnier, rh Sir Edward
Garnier, Mark
Gauke, rh Mr David
Ghani, Nusrat
Gibb, rh Mr Nick
Glen, John
Goodwill, Mr Robert
Gove, rh Michael
Graham, Richard
Grant, Mrs Helen
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, rh Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, Stephen
Hancock, rh Matt
Hands, rh Greg
Harrington, Richard
Harris, Rebecca
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, rh Sir Oliver
Heapey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Herbert, rh Nick
Hinds, Damian
Hoare, Simon
Hollingbery, George
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Jackson, Mr Stewart
James, Margot
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkins, Andrea
Johnson, Dr Caroline
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kirby, Simon
Knight, Julian
Kwarteng, Kwasi
Lancaster, Mark
Latham, Pauline
Leadsom, rh Andrea
Lee, Dr Phillip
Lefroy, Jeremy
Leigh, Sir Edward
Leslie, Charlotte

Letwin, rh Sir Oliver
 Lewis, rh Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lidington, rh Mr David
 Lord, Jonathan
 Loughton, Tim
 Mackinlay, Craig
 Mackintosh, David
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 Maynard, Paul
 McCartney, Jason
 McPartland, Stephen
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen
 Miller, rh Mrs Maria
 Mills, Nigel
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mowat, David
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newton, Sarah
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 Offord, Dr Matthew
 Opperman, Guy
 Patel, rh Priti
 Pawsey, Mark
 Penning, rh Mike
 Penrose, John
 Percy, Andrew
 Perry, Claire
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Mr Laurence
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber

Sandbach, Antoinette
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec
 Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Henry
 Smith, Julian
 Smith, Royston
 Soubry, rh Anna
 Spelman, rh Dame Caroline
 Stewart, Bob
 Stewart, Iain
 Streeter, Mr Gary
 Stride, Mel
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Sir Desmond
 Swire, rh Sir Hugo
 Syms, Mr Robert
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Tredinnick, David
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, rh Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williamson, rh Gavin
 Wilson, Mr Rob
 Wollaston, Dr Sarah
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Ayes:
 Steve Brine and
 Graham Stuart

NOES

Abbott, rh Ms Diane
 Abrahams, Debbie
 Bailey, Mr Adrian
 Blenkinsop, Tom
 Brabin, Tracy
 Bradshaw, rh Mr Ben

Brennan, Kevin
 Brown, Lyn
 Brown, rh Mr Nicholas
 Bryant, Chris
 Buck, Ms Karen
 Burden, Richard

Butler, Dawn
 Cadbury, Ruth
 Campbell, rh Mr Alan
 Coaker, Vernon
 Corbyn, rh Jeremy
 Coyle, Neil
 Crausby, Sir David
 Creasy, Stella
 Cryer, John
 Cummins, Judith
 Cunningham, Alex
 Cunningham, Mr Jim
 Dakin, Nic
 Danczuk, Simon
 David, Wayne
 Davies, Geraint
 Doughty, Stephen
 Dowd, Jim
 Durkan, Mark
 Elliott, Julie
 Elliott, Tom
 Elmore, Chris
 Evans, Chris
 Farrelly, Paul
 Flint, rh Caroline
 Gapes, Mike
 Gardiner, Barry
 Glindon, Mary
 Greenwood, Lilian
 Greenwood, Margaret
 Griffith, Nia
 Haigh, Louise
 Hanson, rh Mr David
 Harris, Carolyn
 Hayes, Helen
 Healey, rh John
 Hendrick, Mr Mark
 Hillier, Meg
 Hoey, Kate
 Hopkins, Kelvin
 Howarth, rh Mr George
 Jones, Gerald
 Jones, Mr Kevan
 Jones, Susan Elan
 Kinahan, Danny
 Kyle, Peter
 Lamb, rh Norman
 Leslie, Chris
 Lynch, Holly
 Madders, Justin

Marsden, Gordon
 Maskell, Rachael
 Matheson, Christian
 McCabe, Steve
 McCarthy, Kerry
 McDonnell, Dr Alasdair
 McFadden, rh Mr Pat
 McGinn, Conor
 McInnes, Liz
 McMahon, Jim
 Meale, Sir Alan
 Mulholland, Greg
 Murray, Ian
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Owen, Albert
 Phillips, Jess
 Rayner, Angela
 Reed, Mr Steve
 Rees, Christina
 Rimmer, Marie
 Ritchie, Ms Margaret
 Robinson, Mr Geoffrey
 Rotheram, Steve
 Shah, Naz
 Sheerman, Mr Barry
 Sherriff, Paula
 Shuker, Mr Gavin
 Skinner, Mr Dennis
 Slaughter, Andy
 Smith, Nick
 Spellar, rh Mr John
 Stevens, Jo
 Stringer, Graham
 Thomas, Mr Gareth
 Thomas-Symonds, Nick
 Thornberry, rh Emily
 Turner, Karl
 Twigg, Derek
 West, Catherine
 Whitehead, Dr Alan
 Winterton, rh Dame Rosie
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Noes:
 Thangam Debonnaire and
 Vicky Foxcroft

Question accordingly agreed to.

DELEGATED LEGISLATION (COMMITTEES)

Ordered,

That the Petroleum Licensing (Exploration and Production) (Landward Areas) (Amendment) (England and Wales) Regulations 2016 (S.I., 2016, No. 1029), be referred to a Delegated Legislation Committee.—(*Chris Heaton-Harris.*)

PETITIONS

The future of nursery schools

6.45 pm

Daniel Zeichner (Cambridge) (Lab): I rise to present a petition on the future of our state-run nursery schools. It is the petition of the many parents and supporters of

schools such as the Fields Children's Centre in Cambridge. Those schools do brilliant work that is now threatened by funding changes.

The petition reads:

The petition of residents of Cambridge,

Declares that nursery schools have very good outcomes with regard to closing the achievement gap as well as supporting children with complex educational or medical needs; further that the petitioners are concerned by the Government's proposals for early years funding that would mean that local authorities would pass on 95% of early years funding from central government directly to early year providers; further that should the proposals be accepted all nursery schools in Cambridgeshire will find themselves in dire financial difficulties; and further that the proposals would lead to a loss of early years provision as well as job losses for nursery staff.

The petitioners therefore request that the House of Commons urges the Government to drop their proposal that would require local authorities to pass on 95% of early years funding from central government directly to early year providers.

And the petitioners remain, etc.

[P002014]

Closure of bank in Odiham

6.48 pm

Mr Ranil Jayawardena (North East Hampshire) (Con): Banks are more than a utility; they provide a service to communities up and down the land. Today banks are changing definitions and moving the goalposts so that they can close more branches, including in my constituency. This is being done by all banks, at a time when they are seeking to rebuild trust. The people of Odiham want to make it clear to this House—they have done so well into their four figures—that they want their local bank to remain.

The petition reads:

The Humble Petition of the people of North East Hampshire, Sheweth,

That Lloyds Bank have proposals to close the Odiham High Street branch on 8th March 2017; that this high street branch is particularly highly valued; especially by older residents and small business owners who often pop in to manage their finances; and that if accounts are moved to Fleet, this becomes a four hour return journey by public transport, which is clearly not in the best interests of our community

Wherefore your Petitioners pray that your Honourable House urges HM Government to take all possible steps to urge Lloyds Bank to reconsider this decision and to make sure that the banking industry considers the social implications of their actions

And your Petitioners, as in duty bound, will ever pray, &c.

[P002016]

SS Mendi

Motion made, and Question proposed, That this House do now adjourn.—(Steve Brine.)

6.48 pm

Dr Andrew Murrison (South West Wiltshire) (Con): A hundred years ago today, just before 5 o'clock in the morning, the troop ship Mendi—on its way from Plymouth to Le Havre, in the company of HMS Brisk—was rammed by the freighter SS Darro in thick fog off the Isle of Wight and sank within just a very few minutes. More than 600 mainly black South African Native Labour Corps volunteers were killed in what remains one of the biggest maritime disasters in our waters in our history. On average, about 6,000 men were killed each day throughout the great war, which might explain why the death of 600 men in one incident, dreadful though that is, went unremarked in the House at the time. A search of *Hansard* will find no contemporaneous reference to it. I am very pleased to be able to rectify that this evening.

It is said that, as the Mendi slipped below the waves, the 65-year-old Reverend Isaac Dyobha steadied the men with these words as they conducted the death dance on the sloping deck:

"Be quiet and calm, my countrymen, for what is taking place is exactly what you came to do. You are going to die, but that is what you came to do. Brothers, we are drilling the death drill. I, a Xhosa, say you are my brothers. Zulus, Swazis, Pondos, Basutos and all others, let us die like warriors. We are the sons of Africa. Raise your war cries, my brothers, for though they made us leave our assegais back in the kraals, our voices are left with our bodies."

Now, that is probably apocryphal, but the event became an iconic moment in South Africa—a rallying point for black consciousness in the years that followed. Post-apartheid, the Mendi has become a staple in the South African national story: monumentalised, used to name warships, and used to name this day—South Africa's armed forces day. It is the inspiration for South Africa's principal civil award for courage, the Order of Mendi. Still deeply and uncomfortably controversial in South Africa, we will probably never know the full details of what exactly happened on that cold foggy night, but the fortitude and dignity of the labour corps volunteers is beyond doubt. War is never glorious, but those who serve in it often are, as this episode so clearly demonstrates.

John Gribble and Graham Scott, in their excellent account of the sinking published this month by Historic England, describe what happened after the collision. There was, of course, a Board of Trade inquiry, conducted over five days in London. The penalty handed down to the Darro's master seems unduly lenient, given that he was going much too fast in thick fog and failed to observe the rules for the prevention of collision at sea. Worse still, he stood off as men drowned, giving rise to a much circulated story that he was disinterested in rescuing men of colour. It has to be said that that allegation is unsubstantiated. The wreck was rediscovered in 1945 by a Navy hydrographer, and was explored by the Isle of Wight diver, Martin Woodward, in 1968.

Mr Andrew Turner (Isle of Wight) (Con): I am grateful to my hon. Friend for commemorating the centenary of the sinking of SS Mendi. He will be aware that the SS Mendi was positively identified by one of my constituents,

[Mr Andrew Turner]

Mr Martin Woodward. Mr Woodward has a museum in Arreton, where the bridge telegraph from SS Mendi is exhibited—it is a very great memorial.

Dr Murrison: Indeed. We have to be very grateful to Mr Woodward. He was, I believe, a self-taught diver who dived in an old hard hat rig. In those days—the 1960s—diving off the Isle of Wight was quite something. It would have been difficult work. I am yet to visit his museum in Arreton, but I will certainly make it my business to do so when I am next on the island.

In 2009, the Mendi was designated as a war grave by the Ministry of Defence. In 2012, English Heritage commissioned the excellent Wessex Archaeology, which is based near my constituency, to research the wreck and produce a report.

Jim Shannon (Strangford) (DUP): I commend the hon. Gentleman for bringing this subject forward for debate. Does he agree that it is only right and proper to remember those who sailed off to fight in a war that, it could be argued, was theirs not by fact, but by the principles of freedom and democracy? It is fitting that we in this House play our part by commemorating the souls lost on that fateful night.

Dr Murrison: Yes, the hon. Gentleman is absolutely correct. These volunteers—they were all volunteers—could have seen this as somebody else's war on the other side of the world, but they did not. For whatever reason—I suspect there was a mixture of reasons and motives—they travelled 6,000 miles to serve in the conflict on the western front, while others served in other theatres of the great war. We have to be extremely grateful to them for their work and, in many cases, their sacrifice.

The Wessex Archaeology report produced in 2012 and the board of inquiry report serve as the authoritative primary sources on this tragedy. It is good to note that from today, the 100th anniversary, the Mendi qualifies under the 2001 UNESCO convention on the protection of the underwater cultural heritage.

Today's centenary is an occasion, first and foremost, for us to commemorate brave men who lost their lives in Britain's icy waters, but it also gives us an opportunity to reflect on the world as well as the war, since the war to end all wars drew many thousands from around the globe to its killing fields. The historiography and remembrance of the great war have, for 100 years, been overwhelmingly of the white war fought by white men in Europe, but the jigsaw has some missing pieces. The centenary is an opportunity to find them and fit them. Drawn from India, China, the Caribbean, Egypt and across Africa, as well as the UK, the labour corps were an essential part of the great war story. Neglected for too long, they must now be heard.

Some 100,000 men served in the Chinese Labour Corps and 40,000 in the French equivalent under arrangements with the Chinese Government. They were seen as cheap labour and dismissed as “coolies”, and the UK trade unions resisted their employment in the British Isles. In 1917, there was a reluctance to allow black men to raise a hand against whites, even against the enemy on the western front—they might, after all, develop a portable taste for it, which was an alarming prospect for the Union Government of Louis Botha.

The South African Native National Congress, the predecessor of the African National Congress, sensing an opportunity to advance the prestige of black people and further its political ambitions, offered to raise combatant troops but was rebuffed by Pretoria. So although non-whites did fight in theatres where the enemy, too, was likely to be non-white, they served on the western front as unarmed labourers. In France and Flanders, they were treated as second class and were penned up in compounds like prisoners of war. When they returned home, the Government in Pretoria failed to live up to earlier promises, denying them campaign medals bearing the relief of a monarch in whose name they had been prepared to sacrifice all. One veteran said he felt

“just like a stone which, after killing a bird, nobody bothers about, nobody cares to see where it falls”.

None the less, South African Native Labour Corps members returned to their homeland utterly changed, with perspectives, horizons and ambitions that would not suit their rulers. One white officer told his men:

“When you people get back to South Africa, don't start thinking that you are whites, just because this place has spoiled you. You are black, and you will stay black.”

Some will say that this is inconvenient history, that we must not judge yesterday by the standards of today, and that we have no business raking it all up, but I would argue that the great war centenary is the last opportunity to shine a light on the unremembered. The story will be incomplete and partial for as long as they remain in the shadows.

The experience of the great war centenary so far has been that the candid and respectful exploration of shared history, however uncomfortable, has not driven people apart or reignited hurt and grievance, but brought them together. We saw that so well last year in the island of Ireland, in the commemorations surrounding the centenary of the Easter Rising and the Somme offensive. To my mind, the Mendi tragedy is primarily a heartrending story of stoicism and bravery in the face of adversity, but inevitably it also prompts difficult questions about attitudes to race in the early 20th century, the progress made over 100 years and where we are today.

The story of the SS Mendi, like the battle of Delville Wood during the Somme offensive of 1916 has, of course, particular resonance in South Africa, but we must commemorate it, too, in the United Kingdom. There is a danger—

7 pm

Motion lapsed (Standing Order No. 9(3)).

Motion made, and Question proposed, That this House do now adjourn.—(Steve Brine.)

Dr Murrison: We must commemorate it, too, in the UK, because there is a danger that some communities in modern Britain may get the impression that they have little equity in what we as a nation are commemorating during this four-year centenary, and that it has nothing to do with them.

On Friday, in the presence of the South African high commissioner, I had the great privilege of launching an engagement project funded by the Department for Communities and Local Government, called “The Unremembered: World War One's Army of Workers”.

Created by the Big Ideas Community Interest Company, it ensures that communities across the UK will remember the 616 brave men of the South African Native Labour Corps and 30 crew members who lost their lives on 21 February 1917. Over the coming months the project will explore men from across the globe, as well as from the UK, who went to theatres of war not to fight, but to dig trenches and latrines, build hospitals and roads and carry food, water and the wounded. Unremembered will encourage and support communities to explore the role of labour corps during the great war and after it in the great clean-up operation that set about restoring normality to the battlefield and reburying the dead under the supervision of the Commonwealth War Graves Commission.

Graham Evans (Weaver Vale) (Con): My hon. Friend is making very powerful points, for which I pay tribute to him. Is he aware of the Hollybrook memorial in Southampton, which is dedicated to those who died on the SS Mendi? It might be a good idea for the Royal British Legion and local schools to remember this date in future years, so that those who died on that day 100 years ago will never be forgotten.

Dr Murrison: My hon. Friend is absolutely right. Yesterday, a commemoration was held in Southampton to mark the loss of people on the Mendi. A service is held every year, with this year being particularly special, given the fact that it is the 100th anniversary.

Unremembered will reach out to Britain's diverse communities, bringing to mind the world as well as the war, and reminding everyone that the events of 100 years ago are very much to do with them today. The Basotho, Pondo, Swazi, Xhosa and Zulu volunteers of 1917, some of them high born and educated, most far more modest men, believed that what they were going to 6,000 miles from home had everything to do with them. That was despite the political ambivalence at home of many in the already fractious Union of South Africa, despite the complex motives of some in relation to the nascent struggle for political and constitutional change and despite the second-class status labourers were given by those they came here to help. Denied the respect and recognition due to them in their time, we must honour them today.

7.3 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Mr Rob Wilson): I congratulate my hon. Friend the Member for South West Wiltshire (Dr Murrison) on securing today's debate today on the centenary of the sinking of the SS Mendi. I should also like to commend him for the substantial role he has played in ensuring the success of the Government's first world war centenary programme so far. The centenary programme provides an opportunity for us all to come together to honour the sacrifices made 100 years ago, and I am delighted to have taken over ministerial responsibilities for the programme.

I look forward to the national commemorative events planned to mark the centenary of Passchendaele—the third battle of Ypres—in Belgium this July, as well as the centenary of the Armistice in 2018. I am also grateful for the contributions that other hon. Members have made tonight, which have highlighted how important

this subject is to the House. Every Member's constituency contains many families who have lost loved ones in that war.

As my hon. Friend said, the sinking of SS Mendi was one of the worst maritime disasters in British waters, but it was also among the darkest moments of South Africa's war. More than 600 men lost their lives, a figure second only to the number of casualties suffered by the 1st South African Infantry Brigade at Delville Wood during the battle of the Somme in 1916. The Mendi was carrying members of the South African Native Labour Corps, bound for the western front. The centenary gives us an opportunity to honour those who lost their lives that day, and to recognise the significant contribution of the various labour corps to the wider war effort.

Numbering more than 20,000 men, the South African Native Labour Corps was one of the most significant of the groups that served. The labour corps were drawn from the UK and from around the world: from South Africa, Egypt, India, Canada, China and elsewhere. At the beginning of the war, tasks such as moving stores, repairing roads and building defences were carried out by soldiers who had withdrawn from the frontlines for rest, but by early 1917, the need for labour on the western front had become critical as a result of the unprecedented scale of casualties suffered: I think my hon. Friend said that there were about 6,000 a day during the war. That was the catalyst for the creation of the labour corps. Maintaining the vast military infrastructure of camps, transport routes, stores and supply dumps and communications networks was a mammoth undertaking. Without the efforts of the labour corps, the Army and other fighting forces simply could not have functioned.

It is right for the events of 100 years ago not to be forgotten. I am pleased that the Under-Secretary of State for Foreign and Commonwealth Affairs, my hon. Friend the Member for Bournemouth East (Mr Ellwood)—who has ministerial responsibility for Africa—was able to represent Her Majesty's Government at the Commonwealth War Graves Commission's Hollybrook cemetery in Southampton yesterday. In the presence of Her Royal Highness the Princess Royal, those brave men were honoured with the respect and recognition that they fully deserve on the 100th anniversary of their deaths. I agree with my hon. Friend that it is important for us not to forget the discrimination faced by many who served in the labour corps. This anniversary is an opportunity for us to recognise our nation's past, and to strengthen our ties with the nations that supported us and fought beside us. The Government are commemorating the centenary, as well as the wider role of the labour corps, in a number of ways.

The CWGC cares for the graves and memorials of the 1,300 members of the South African Native Labour Corps who lost their lives in the first world war. We know that the majority of those who died aboard the Mendi were never found, but nearly 600 are commemorated by name on the Hollybrook memorial in Southampton. As is the case with all the Commission's cemeteries and memorials, every one of those named at Hollybrook is commemorated in the same way. In life they had very different experiences, but in death they are honoured with equal respect. The remains of 19 who died aboard the Mendi were recovered, and buried in cemeteries and local churchyards. Today their graves can be found

[Mr Rob Wilson]

along the coastlines on either side of the English channel. There are graves at Milton cemetery in Portsmouth—where a commemorative event took place on Friday—and also in France and the Netherlands.

As my hon. Friend mentioned, the Government are funding a community engagement project called “The Unremembered: World War One’s Army of Workers” to recognise the contribution of the tens of thousands of labourers who served in the first world war. I urge schools and communities throughout the country to take part in that important project, which will focus on the role of labour corps including the South African Native and Chinese Labour Corps, and will provide educational resources to enable schools and communities to learn more about them. Its aim is to further understanding of the impact of the first world war, to achieve positive community impact, and to raise awareness of local heritage sites, particularly the labour corps war

graves and memorials that can be found in the UK. I would also like to remind organisations that the Heritage Lottery Fund has funding available to explore, conserve and share local first world war heritage. Thousands of young people and communities throughout the UK have already been involved in activities marking the centenary, and I encourage local communities to apply to this fund.

The centenary programme aims to commemorate all who served in the first world war and were impacted by it, and to provide opportunities for the public to rediscover our shared history. I therefore conclude today by paying tribute to all who lost their lives in 1917 at the sinking of the SS Mendi and all who were affected by it. Together, we will ensure that they have not been forgotten.

Question put and agreed to.

7.10 pm

House adjourned.

Westminster Hall

Tuesday 21 February 2017

[ANDREW ROSINDELL *in the Chair*]

A Better Defence Estate Strategy

9.30 am

Mrs Helen Grant (Maidstone and The Weald) (Con): I beg to move,

That this House has considered A Better Defence Estate strategy.

In November last year, it was announced that 91 military bases across the country would close. That represents a 30% reduction in the Ministry of Defence estate. The announcement was part of the “A Better Defence Estate” strategy, and closure dates for bases ranged from 2017 to 2032.

One of the barracks earmarked for closure in 2027 is Invicta Park barracks in Maidstone, in my constituency. The Government argue that their aim is to improve military capability and rationalise the estate. Of course, those goals are well understood. We are told that decisions have been taken based on military advice and extensive engagement. I have serious concerns relating to the nature and extent of the advice and engagement, and to the lack of information regarding costs, benefits and environmental safety. I would like the Minister to provide further details when he speaks, but today I want to focus most of my time on the extremely negative impact that the decision will have if it goes ahead.

First, site closure will affect thousands of service and civilian personnel and their families, who still do not know what it means for them. Will they need to commute further, move house, or move their children from schools? Will they have a job at the end of it all? That uncertainty washes over everyone in the family. It also impacts socially and economically on local communities. Businesses, schools and places of worship will all be affected by the departure of those people. There will be a loss of military heritage, and of support and connection with towns and counties around the country. Many of these connections span hundreds of years, and are the source of the close bond between our armed forces and communities.

There will also be a reduced ability for the military to recruit and retain the best service personnel at a time when recruitment and retention figures for regulars and reserves are especially worrying. The increased uncertainty, coupled with wives and families being moved from vibrant and popular towns such as Maidstone and York to isolated “super-bases” such as Catterick and Salisbury Plain, will have an adverse effect. Some even feel that the Government have simply got the policy wrong in terms of military capability and effectiveness. Indeed, Lieutenant Colonel Brian Awford, who is now retired but who was a commanding officer at Invicta Park barracks, believes that:

“The decision to close Invicta Park Barracks is unsound. It will be a negative step for the army”.

Large garrisons with many shared facilities will become the norm. They will be separated from local populations and distant from specialist training bases. There will be no jobs for wives and no girlfriends for soldiers. The

quality of life will decline. It will do nothing for morale or recruitment, which comes from the good liaison between the Army and the local population.

Many of those negative outcomes are shared by colleagues across constituencies, but in addition we each harbour unique vulnerabilities that deserve consideration. In my case, it is the plight of serving Gurkha soldiers and their families, and that of Gurkha veterans. Invicta Park barracks is the home of the 36 Engineers and the Queen’s Gurkha Engineers. Unlike the 36 Engineers, who expect to be posted and moved from time to time, the Gurkhas tend to remain located at one base, which they make their permanent home. All Gurkha soldiers who have joined the Queen’s Gurkha Engineers since 1994 have been based at the barracks for their entire career. They are, of course, seconded from time to time, but they always return to Maidstone and to their families, who remain in the town.

That is part of a long-standing, balanced understanding between the UK and the Gurkhas. They come from afar and take great risks in fighting for us, while being able to retain around them the support of their veterans, their wives, their children and the wider Nepalese community. To wrench serving Gurkhas and their families from their cultural base and permanent home denies them the benefits of that equation. I do not believe that to be right or fair.

Helen Whately (Faversham and Mid Kent) (Con): My hon. Friend is making very strong points and I want to support her on that one. I represent the other side of Maidstone and recently met a group of Nepalese ladies, many of whom are wives of Gurkhas at the barracks. Does she agree that the Gurkhas are very much part of the community in and around Maidstone? The fact that they are there permanently is an important factor that should be considered as part of those decisions.

Mrs Grant: My hon. Friend and neighbouring MP—we also share the same first name, which makes for a bit of confusion—makes a very good point. As I will go on to say, the Gurkhas and the Nepalese community are cherished and respected. There is wide opposition to the closure, so much so that a petition against it that I have been running for just a few weeks already has 2,500 names. That expresses the strength of the feeling from the people of Maidstone that we do not want to lose our Nepalese community. The soldiers and their families have worked hard for many years to integrate and to become part of the fabric of the area. As I have said, they have succeeded, and are widely respected and cherished.

One former Army wife, Mrs Jean Ruddell, who lived at the barracks for seven years, told me how difficult it had been for the Gurkha wives when they first arrived in 1998-99. She said that it was a real culture shock and that they had been a little like rabbits in headlights. However, they worked hard, learned English and enrolled in classes to assist them in finding work. They fully immersed themselves in Kent life and in the county town. She said there was mutual respect for different traditions and beliefs. She described it as real harmony and as multicultural at its very best. She remarked on what a tragedy it would be to see all of that broken up, at a time when togetherness and commonality are more important than ever. Another lady summarised well how many Nepalese people feel:

[Mrs Helen Grant]

"We will miss the close connection with the Maidstone community. We love it here and have made it our home. We will need to start all over again if we move. It is so hard to build such relations."

To illustrate the cross-generational feeling, one 85-year-old Gurkha veteran told me: "If our soldiers move, their wives and children will move too. We will be left stranded. We will lose the help and support given to us by our younger generation. We rely upon this heavily, especially those of us who have been injured or who are disabled".

In the armed forces covenant annual report, the Secretary of State for Defence says:

"We have a duty across society to recognise this dedication and sacrifice, by ensuring that the policies we make, and the services that we provide, treat our Service personnel, Veterans, and their families fairly, and ensure they suffer no disadvantage by comparison to the rest of society as a result of their service."

I fully support the covenant, and the Minister should be rightly proud of the role he has played in establishing it within society. A key pillar of the covenant, as the Secretary of State said, is to treat our service personnel and veterans and their families fairly. However, if the decision to close Invicta Park barracks goes ahead, the Government will not, I believe, for all the reasons I have stated, be acting fairly, and will be in breach of the covenant.

Mr Gregory Campbell (East Londonderry) (DUP): I congratulate the hon. Lady on securing the debate. She outlines passionately the impact on her constituency. Does she agree with the wider concern that, if the rationale and thinking behind the estate strategy pervades the training and reserves estate, we could see other problems right across the United Kingdom?

Mrs Grant: The hon. Gentleman makes an excellent point, and if he makes a speech today we will hopefully hear more about that. There are a number of important contributions to be made by Members on both sides of the House and it is important that they are all heard. I also want the Minister to have plenty of time to speak and to address the issues that will no doubt be raised.

Sir Nicholas Soames (Mid Sussex) (Con): I congratulate my hon. Friend on raising this important subject. On the wider question of the management of the defence estate, does she agree that there are some immensely important, significant, historic buildings, some of which are of national importance? It is vital both that they are treated with great sensitivity and care and that, within the period of the rationalisation, the most careful plan for their use is arrived at?

Mrs Grant: As always, my right hon. Friend makes a very good point. I agree with everything he has said. There are some wonderful, beautiful, old, historic, listed buildings. I have one—the old officers' mess—as part of Invicta Park barracks. I agree that there has to be a plan and that the buildings must be looked after and treated with great sensitivity and care.

In closing, I ask the Minister please to look again at the decision to close Invicta Park barracks. It cannot just be about houses and money. Although I recognise the need to rationalise the military estate, super-garrisons might not always be best. Our military is about people

and, as my hon. Friend the Member for Berwick-upon-Tweed (Mrs Trevelyan) recently said, without the human capital, all our ships, submarines, jets, planes, helicopters and tanks across the world are of no use to us. In that case, and in my case, with the Gurkhas and the Nepalese community in Maidstone, it is about the maintenance of a vibrant and highly successful military and civilian multicultural, the value of which should not be underestimated.

Several hon. Members rose—

Andrew Rosindell (in the Chair): Order. In view of the number of Members wishing to speak, there will be a time limit of four minutes.

9.44 am

Christian Matheson (City of Chester) (Lab): What a great pleasure it is to see you in the Chair, Mr Rosindell. I pay tribute to the hon. Member for Maidstone and The Weald (Mrs Grant) for leading the debate. I have found the Minister who is here today to be a listening Minister. He has engaged with me as much as I have engaged with him, and I am grateful for that.

I wish to speak about the situation in Chester, at Dale barracks. Some 2,000 years ago, a bunch of Romans came along and set up a camp—a castrum—in what was to become my city. The castrum gave its name to Chester, which has been a garrison town ever since Æthelfrith defeated the Welsh at the battle of Chester—apologies to my hon. Friend the Member for Caerphilly (Wayne David), who is on the Opposition Front Bench. The first Earl of Chester built a chain of castles around Chester castle in 1071. We have a history that goes right through the second world war, when we had RAF Sealand—still in place today—and the headquarters of the Western Command. That history is very much part of the city's DNA, and we are proud of it. We are proud to have those links to the military and to have an Army presence. We have the Westminster Centre for Research and Innovation in Veterans' Wellbeing at the university, we have a recruitment office in the centre of the city and we have Dale barracks, which is now under threat.

The barracks was traditionally home to the 1st Battalion the Cheshire Regiment, and then the Cheshire merged with the Worcesters and Foresters and the Staffords to form the Mercian, so I understand that things do not stand still in the Army. Things move and things change—we also had the Royal Welsh based there for a while. Although we are not an Aldershot, a Catterick or a Colchester, we are a military city and proud of it. There are advantages to that. Chester is an attractive place to live, and so many of my constituents are former servicemen and women and their families who have made their home in the area. Schools in the Upton area are set up to cater for children facing the disruption of military life, for example when their parents are sent away on duty at short notice. Personnel retention rates in Chester are therefore much higher than elsewhere, because families are happier and there is less pressure on the servicemen and women themselves. Closing the barracks may well be a saving in the short term, but it would be a false economy.

The super-garrison structure in the south-west of England is part of the Ministry of Defence's investment of more than £800 million in infrastructure in the

Salisbury plain area, with a similar development proposed for the north-east, but super-garrisons do not cater for where troops are recruited from, and we have a high recruitment rate in the north-west. The net effect is that service personnel—in the Army in particular—find themselves bouncing around the country on Friday evenings and Sunday afternoons trying to get home or back from work. I know of one former officer living in Chester who spent two years driving up and down to Sandhurst. He described being so far away from family as a reason why people might leave the Army. The hon. Member for Maidstone and The Weald referred to that. The armed forces attempt to post service personnel close to their home town during their final years in the Army to help their and their families' transition, and closing the Dale will further reduce that option for those from Chester and the north-west, which, again, will have a negative impact on retention rates.

I ask the Minister whether all options have been exhausted regarding the utility of Dale barracks. Could we provide other services and place other units there, perhaps a centre for combat stress and psychological therapy to link in with the work of the university? Can we beef up the presence with cadet forces? The facilities are modern; they were upgraded only in the past 20 years, so it will be a false economy for the Army and the MOD, as well as damaging to the local economy, if we close them simply, I believe, because of the high land values in Chester and move servicemen elsewhere. I am most grateful to the Minister for his time.

9.48 am

Sir Gerald Howarth (Aldershot) (Con): I, too, congratulate my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) on securing this important debate. I represent the home of the British Army—Aldershot—and I am well aware that there are facilities around the country, principally in Army rather than Royal Air Force hands, that have been allowed to deteriorate. It is necessary, therefore, that we examine the military estate.

Having said that, I have a success story to report. No one has heard of the most successful private finance initiative project, the £8 billion Allenby/Connaught project run by the award-winning contractors Aspire Defence for the refurbishment of not only Aldershot garrison but Tidworth. As a result of the sale of military land in Aldershot, the garrison has been transformed, with fantastic new buildings. Apropos the point that my right hon. Friend the Member for Mid Sussex (Sir Nicholas Soames) made about buildings, I have to say that Grainger—it is running the Wellesley programme, which involves the release of land in accordance with a master plan—has spent a great deal of time ensuring that some of the historic buildings in Aldershot have been maintained. It has made its headquarters at the Smith Dorrien House, a 19th-century brick building that it has restored fabulously.

That is a very good story, but I am concerned by the fundamentals of the review. We know why it is being done. It is not to ensure that we have a better estate; it is to raise money. That is the brutal truth. The Treasury is not giving enough money to the Ministry of Defence. We have our national priorities completely wrong. We are spending an immoral amount of money on overseas aid, and we are neglecting our armed forces. The review is one of the consequences of that.

The hon. Member for City of Chester (Christian Matheson) is absolutely right about the footprint of the estate. I have the Welsh Guards stationed in Aldershot. Come Friday afternoon, the whole lot decamp down the M4 to Wales. We will not be able to recruit if we remove military establishments from other parts of the country and concentrate them all in the super-garrisons such as the one in Aldershot—I accept that it is doing a great job, but I am looking at the bigger picture nationally. The points that my hon. Friend the Member for Maidstone and The Weald made about that were absolutely right.

The programme is misconceived and being done in a rush. The Minister knows that Minley Manor was sold in great haste. I had a furious bidder on the phone to me saying, “Why was I not offered the opportunity to make a best and final offer on that property?” The Old War Office in Whitehall is also being disposed of in something of a hurry. There is a gathering rush to remove military facilities, and we will pay a big price. As a Minister I went to Leuchars to announce its closure as a RAF station. Fortunately it was not closed, because it is now an Army station. It enabled us to accommodate soldiers coming back from Germany. We had somewhere to put them, but the way the Ministry of Defence is going now, we will not be able to have that flexibility. Our armed forces are the smallest they have been since the time of Wellington, but look at the dangerous world in which we are living. A policy simply to cash in on the value of the estate seems misguided when we may well need to build up our armed forces in the future, given the state of the world we find ourselves in today.

9.52 am

Joanna Cherry (Edinburgh South West) (SNP): It is a pleasure to serve under your chairmanship, Mr Rosindell. I congratulate the hon. Member for Maidstone and The Weald (Mrs Grant) on securing this debate and on all the efforts she has made to co-ordinate attempts by Members to ensure that this matter stays at the top of the agenda.

I am speaking today because I was very disappointed to find out that Redford cavalry barracks and Redford infantry barracks in my constituency are earmarked for closure in 2022. The closure of Redford barracks would remove a truly historic site from the military estate and leave families who live and work in my constituency in a position of great uncertainty. The Redford barracks has been situated at the foot of the Pentland hills for almost 100 years. When it was built in 1909, it was the largest military base built in Scotland since Fort George. The announcement that it faces closure is a dark day for the military and for military heritage in Scotland. In their proposals, the Government have said that the military estate “has failed to adapt” to meet 21st-century needs, but it is the task of Government to adapt the military estate. The responsibility for its not having been so adapted lies with successive UK Governments.

The proposals in the publication set out a commitment to deliver:

“Regional centres of mass for light infantry battalions supporting national resilience and community engagement”,

but it is not clear which of the centres in Edinburgh the MOD plans to use for that purpose. The obvious choice for the Scottish Army HQ would be Redford barracks, as it is situated in the capital city of Scotland. More

[Joanna Cherry]

importantly, the closure of those infantry and cavalry barracks will be devastating for the local community of Colinton and the people who work and live in that area. It is important to note that the buildings at Redford barracks have category B listing, and it will prove very expensive for any developer to convert them into housing.

The Government have said that they will consult local authorities and the Scottish Government where necessary. It is a pity that the UK Government have consistently refused to engage with the Scottish Government ahead of such decisions being taken. However, there is still time to consult. As the local MP for the area, I would be happy to meet the Minister to help facilitate constructive engagement between the UK Government, the Scottish Government, civic society in Edinburgh and the relevant local authorities. To that end, it would be helpful if he could confirm when the consultation will begin, how long it will last and the format it will take.

I have been in correspondence with the Minister and his Department about the prospective closure of Redford barracks, and I have been given various assurances that there is the intention to do this and that. It would assist the consultation process if undertakings could be given at the very beginning on Redford cavalry and infantry barracks. I stress that they are of historical significance and are situated in the capital city of Scotland, so they are the natural and appropriate site for any Scottish Army HQ.

9.56 am

Dr Tania Mathias (Twickenham) (Con): It is a pleasure to serve under your chairmanship, Mr Rosindell. I congratulate my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) on securing this important debate. This is the second time I have talked about Kneller Hall, which is in my constituency, and I am grateful for the opportunity to reiterate the arguments. It is interesting that those views are shared by many other Members here.

I want the Minister and the Defence Infrastructure Organisation to use some military expertise in their defence estate strategy. I am not a soldier—my background is more in peacekeeping—but I know that wars are not won with destruction or bullets; they are won with hearts and minds. That is what the estate is about. Kneller Hall in Whitton has the heart and mind of the community. The Minister will know that it was the Duke of Cambridge—not the current Duke of Cambridge but the second Duke of Cambridge—who realised that military music is incredibly important in inspiring courage, strength and loyalty in the military and the other services. When I talk about the heart of the community, I am not talking just about the sons of people in Twickenham who serve in Kneller Hall. It is not just about fathers who see their sons go into Kneller Hall; mothers and daughters also serve at Kneller Hall. It is part of our heart and our mind.

Will the Minister ask the DIO to use some military intelligence? I am grateful to my hon. Friend the Member for Aldershot (Sir Gerald Howarth) for giving me some new ideas—I hope that the military will take this on—about what can be done for Kneller Hall. We have precious

listed buildings. I am interested in some partnerships that could be created to renovate Kneller Hall. We were told recently that the military stopped investing in the building in the 1990s, but there are ways to get round it.

Kneller Hall is part of the community, but it is also about military strategy. We could be recruiting more people. As everyone knows, Twickenham is one of the best places to live. It is in London and is great for young people. It is the home of rugby. It is a brilliant place to have a joint band, which I know the Minister is considering. Kneller is the place. It is where young people can be inspired. I know that the Minister has some medals, but, as I have said before, I will pin another medal on his chest if he can enhance and improve Kneller Hall. Thousands of people have signed petitions. I submitted a petition in the Commons, but the Facebook petition continues. I am talking not only about people in Twickenham; Kneller Hall has influenced people across the globe. It needs to be at the heart of our communities. The Minister must use his military expertise and military strategy and win hearts and minds for us.

10 am

Jim Shannon (Strangford) (DUP): It is a pleasure to speak in this debate, Mr Rosindell. I congratulate the hon. Member for Maidstone and The Weald (Mrs Grant) on setting out the case so effectively. I will make a few specific comments about Northern Ireland.

As a former member of the Defence Committee—my hon. Friend the Member for Belfast East (Gavin Robinson) is now a member—I regard this strategy as a matter of grave concern. The facts are plain. The estate is costly and somewhat ungainly. On paper it is easy to see how selling off pieces of the estate will not only bring to an end maintenance costs for the property or the area but will bring in a windfall. If we add the magical phrase “affordable housing”, how could anyone say no to that? I am sorry, but I wish to stand against some of the proposals in the footprint strategy.

The Ministry of Defence says that its estate, which covers 1.8% of the UK land mass, is inefficient, expensive to maintain and incompatible with the needs of the modern armed forces; the future estate will be smaller and clustered around areas of specialisation. I have no doubts whatever about the accuracy of those claims. However, I wonder whether someone can explain to me how we can possibly meet defence needs and the obligations to our armed forces in consolidated, precise little blocks. On paper, I can see how Northern Ireland per head and for surface area should have limited military input, but the reality of our history in Northern Ireland demands a strong presence. The service history of our residents demands home bases that cater for families. I remain to be convinced how the plans will fit the needs of our armed forces. The excuse that the estate needs work is not one that flies with me. It is not good enough to run something down to dispose of it when that will leave gaps in our estate strategy and, more importantly, our defence strategy. There is a significant risk that the poor condition of the estate will affect defence capability. I want to put that on the record as well.

I have great respect for the Minister. I appreciate his help in responding to all the different issues and how hard he works as a former soldier and as a Minister. Kinnegar Base in Holywood, on the boundary of my constituency, has been a thriving hub of activity, employing

up to 1,000 civilian staff and providing much-needed support for the Army during the darkest days of the troubles. I understand that there is perhaps not the need that there once was for bases in Northern Ireland; bases have been steadily disappearing in the natural course of the reduction in troubles. However, we cannot be complacent about security in Northern Ireland. With a police officer shot last month and other threats, there is a very real need for Army support that surpasses population levels.

When I joined the Ulster Defence Regiment, I trained at Ballykinler. The sell-off of Abercorn barracks is a backwards step, not least as the accommodation should be retained for social housing rather than sold as a development opportunity. With respect to the Minister, I question that. Redevelopment in co-operation with communities to provide housing is a much better way to use the site than to sell it to the highest bidder. If that is what we are doing, I respectfully say it is wrong. The selling of the family silver can no longer be allowed. We are looking at future generations who will not have meaningful pensions. We have sold our children's inheritance before they are born.

Hailing from Northern Ireland and a military background, I cannot support the closure of all three bases. It is my sincere nightly prayer that my little country of Northern Ireland never again finds itself in need of the Army support and presence that was once a part of everyday life. However, the practical side of me feels that the basic structure must still exist.

I know that other Members in this Chamber, such as the hon. Member for Greenwich and Woolwich (Matthew Pennycook), who represents the Woolwich base where I once trained and of which I have very fond memories, are also asking for a rethink of decisions. The Government should and must rethink the strategy and cut costs without cutting the defence capabilities and leaving us vulnerable and our military families vulnerable and unsupported. The Minister must consider those points before making decisions.

10.4 am

Mrs Anne-Marie Trevelyan (Berwick-upon-Tweed) (Con): I thank my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) for securing the debate and for her kind words earlier.

The Defence Secretary's announcement that 91 sites across the UK will be disposed of is part of a long overdue defence estates rationalisation strategy. Although I wholeheartedly support the Department's determination to assess its asset base—nearly 4% of the UK—and to work out what it does and does not need for the 21st century, we need to be very careful how we do this. As a member of the Public Accounts Committee, I led our hearing a few weeks ago to assess how the review was going. Sadly, so far I am dissatisfied that the detailed and holistic economic cases have not yet been done for each of the sites identified. That risks achieving financial and operational failures rather than gains for both the MOD and the taxpayer.

As one of several MPs taking up reservist roles—I recently applied to join the Royal Navy Reserve—I want to highlight my concerns by using the proposed closure of HMS Sultan and Fort Blockhouse in Gosport, as they are a good example of the concerns that we identified on the Public Accounts Committee. One aim

of the better defence estate programme is to release land for house building, but scope for housing in Gosport is severely limited by the local plan and the lack of local demand. Sale to commercial developers is complicated by high onsite maintenance costs. HMS Sultan contains heritage assets and listed buildings—that is an issue with a lot of the sites identified—including two Palmerston forts, a site of nature conservation and land protected as open space, which is also an issue in several of the sites identified.

Fort Blockhouse contains designated nature conservation sites, open space and important heritage assets, as well as a sea wall with an estimated annual maintenance cost of £1 million to £3 million. A local expert estimates that it would cost £10 million to repair the wall fully, which could rise to £100 million if there was a breach. Maintaining the sea wall is essential for the physical integrity of Portsmouth harbour, which will soon be home to our marvellous Queen Elizabeth aircraft carrier, which the Minister will be pleased to hear I look forward to seeing tomorrow.

At Blockhouse the local authority is optimistic about the significant potential to regenerate the site as part of a mixed-use leisure and maritime allocation, but the MOD's decision to retain the waterfront part of the site—the most commercially attractive segment—significantly jeopardises the opportunity to generate employment.

The business case for disposing of HMS Sultan remains unclear. Estimated renovation costs are considerably lower than costs associated with relocation. Work to improve Sultan's accommodation is necessary, but generally the site is fit for purpose, as evidenced by Ofsted's recent outstanding rating for its training provision. Furthermore, a recent investment of some £850,000, with £470,000 coming from the LIBOR fund, to renovate the warrant officer and senior ratings mess, which serves more than 500 trainees and permanent staff, will be completed next month. It seems a contrary decision to get rid of something that has such a significant investment. Second-order consequences of dismantling an excellent training provision for the Royal Navy are worrying. The Navy is short of engineers, and to undermine an important educational pipeline could have significant operational ramifications. The local population offers an excellent recruitment pool. The density of retired officers also provides a source of teaching professionals.

I have summarised many of the key problems. Releasing the 91 most expensive sites makes surface-level financial sense from the MOD's perspective, but it ignores the reality that in some cases the sites may be the most difficult to sell to developers. I know that the disposal process is in its early stages across all the sites, and I welcome the MOD's commitment to explore development opportunities fully with local authorities and development agencies. It is disappointing that analyses of the sites earmarked for disposal are taking place after disposal decisions, but I sincerely hope that a business-minded approach will begin to drive disposal decisions alongside the military requirement.

10.8 am

Rachael Maskell (York Central) (Lab/Co-op): It is a pleasure to serve under your chairmanship in this important debate this morning, Mr Rosindell. I congratulate the hon. Member for Maidstone and The Weald (Mrs Grant) on securing the debate.

[*Rachael Maskell*]

The armed forces have more than 1,000 years' history in the city of York, which was built on trade and also on defence. Imphal Barracks in my constituency, now listed to close in 2031, was built between 1877 and 1878. Two years ago my predecessor received assurances from the Ministry of Defence that the Army would stay in York. The Army basing plan on 5 March 2013 secured York as a garrison for the future, and serious investment was put into upgrading the buildings on the site. The city therefore believes that the Government are wrong to close the barracks.

No economic or social impact assessment has yet been carried out, even though MOD procedures say that it should be. Can I turn the Minister's attention to joint service publication 507? It says that an impact assessment should include

"redundancies or impact on the local economy"

and goes on to say that

"MOD investment appraisals are concerned with appraising public value; that is the value to UK society of a proposal or option rather than just to the Exchequer or the Department."

That work has not even been undertaken—I understand from discussions with officials that it could take at least 18 months—so it is rather premature to announce the closure of Imphal, without that essential work being done first.

The Army provides some of the largest employment opportunities for the city of York. We have 728 serving personnel, who of course bring with them their fantastic families. We know that the MOD is wrestling at the moment with the issue of spousal employment, and there is no better place to look for opportunities than in a city such as York, with its two universities and a college, which provide excellent education, as well as York schools. The opportunity for armed forces personnel to base their children in York schools, where they can catch up with their education and do well, is so important. There are 376 highly skilled civilian jobs based in York—a city where the average wage is below the national and regional average at around £22,000. That is important for our local economy. If we also consider the more than 100 contractors as well, and the jobs at Strensall that will disappear, we are talking about 1,500 jobs in a city the size of York. That will have a very serious economic impact, and the impact assessment of that is yet to be done.

I am grateful to senior armed forces personnel who talked through the operational issues with me. As the hon. Member for Aldershot (Sir Gerald Howarth) highlighted, these measures will have a real detrimental impact on recruitment and retention in the armed forces. In France, this experiment was tried, and was halted in its tracks because it created real difficulty for recruitment and retention. There is already a retention problem for the Signals, which are based in York. This will escalate that and clearly destabilise the armed forces, which is not what we want.

I wear this khata today as we have a Gurkha community in the 246 Signal Squadron based in York. They form a central part of my community; their families are integrated. They worship at the barracks and are part of the reach into the city. I met with them on Saturday night—they pleaded to remain part of York, because they see it as their home, where they want to settle.

The reality is that the work has not been done behind the scenes. This is a Treasury-led issue, not a Defence-led issue. It is about time a pause button was hit and we reviewed the reality of the impact that these closures will have.

10.12 am

Sir Julian Brazier (Canterbury) (Con): I congratulate my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) on securing the debate and on her excellent speech. Let me be clear: I agree with the principle of what the Government are trying to do. We have to take some painful decisions and some of those decisions will inevitably have effects on individual constituencies that some of us will not like. However, I share the concerns of a number of other speakers that we are in danger of losing our national footprint.

I should like to introduce two specifically defence elements into the equation. First, spousal employment continually comes up in the top three reasons for leaving the armed forces. The second factor is local house prices. I do not support the idea of an allowance to replace service family accommodation, but I do support aspirations for more members of the armed forces to have the opportunity to buy housing.

In terms of those two factors, if we look at the footprint of what is proposed, we find all too often that the bases under threat are places where there is plenty of spousal employment and plenty of affordable housing—Canterbury in my constituency, which closed recently, Maidstone in the constituency of my hon. Friend the Member for Maidstone and The Weald, Chester, Ripon and so on. The expansion is increasingly taking place in places such as Catterick, completely isolated and in the middle of nowhere, or in areas such as the constituency of my hon. Friend the Member for Aldershot (Sir Gerald Howarth), where housing is desperately expensive. That cannot be retention-positive. It is not fair to ask my hon. Friend the Minister to take account of wider community issues beyond a certain point, but those points are critical for the future manning of the armed forces.

I echo a point made by the hon. and learned Member for Edinburgh South West (Joanna Cherry). I happen to know Redford barracks quite well. When I had some responsibilities for Scotland, I visited it a couple of times. It is a prime historic military site on the edge of Edinburgh, the capital of Scotland. Unlike the hon. and learned Lady, I am a passionate Unionist. That site should be one that we make more of, as we get rid of some of the frankly uneconomic and unmanageable garrisons in the edges of Scotland. I know Fort George and the rest are unhappy, but I support those closures. Redford should be a place we concentrate on. I am not going to ask my hon. Friend the Minister for the figure because that will be commercially confidential, but I will ask him to write to me to reassure me that the estimate for the value of Redford barracks in his considerations takes account of the fact that it is listed and, as such, is of very little value to a developer. I understand that even the outbuildings are listed.

That point is paralleled all over the country. To take the point through, there is the alternative of moving more units to Leuchars, which is a very nice base—my son happens to be serving there. Unfortunately, the

local community is not large enough to provide spousal employment for a large expansion and, because it is right next to St Andrews, house prices are among the most expensive in Scotland.

My hon. Friend the Minister has to take difficult decisions. I am with him on the fact that difficult decisions have to be taken within our shrunken defence budget, which I, like others, would like be greater. However, in deciding where we focus the armed forces of the future, we must take account of the two key factors of spousal employment and house prices, and the overall footprint.

10.16 am

Owen Thompson (Midlothian) (SNP): I commend the hon. Member for Maidstone and The Weald (Mrs Grant) for securing this debate. I was delighted to join her at the Backbench Business Committee to make the case for it.

When the announcement was made, the shockwaves went through my constituency of Midlothian, where the closure of Glencorse barracks has been intimated. Understandably, the community were upset at the lack of consultation before or after the announcement, but there are two glaringly obvious issues in Midlothian that compel me to speak in the debate today: first, the huge loss that the base would be to service personnel, their families and the wider community, but also to infrastructure and the local economy; and secondly, the enormous financial investment made by the Ministry of Defence a number of years ago, which now seems entirely pointless.

The position I take today is an entirely cross-party one. Every elected member at all levels for the community representing the Glencorse barracks supports the position. All six local councillors, Christine Grahame MSP and myself have joined together and have met the local community. This is an entirely united position. A petition is on its way and, in due course, we will look to present it to the House—I am sure many hon. Members will do the same.

The history of Glencorse barracks is well-known, from its start in the Napoleonic war as a prisoner of war camp, through to its current situation. Unlike many other bases, Glencorse is fit for purpose following a £60 million upgrade in 2003 to 2005, at which point it was hailed by the MOD as benchmark accommodation for our forces. It is frustrating that some of the information around that investment is difficult to come by—it was announced not in Parliament, but on a visit to a construction firm by the then Defence Secretary. When we ask the MOD for information about the investment, we are simply told that the information requested cannot be provided in a format that would not incur a disproportionate cost. As an elected Member, it is very frustrating trying to get to the bottom of some of the details. It would appear that I am able to get more information from Midlothian Council and through the Scottish Government than from the Ministry of Defence. I ask the Minister to reflect on that experience—Members of this House ask questions to be better informed when making cases in situations such as this one.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): My hon. Friend is making a powerful speech about Glencorse. Does he agree that, in the case

of Fort George in my constituency, very little evidence has been supplied to say that it would save the MOD money? In fact, it will simply leave a £12 million to £16 million annual hole in our economy.

Owen Thompson: I agree. That is certainly true for many of us who are making the case for retaining our local bases.

Given the investment in Glencorse, it makes no financial sense to close the barracks. It has already been upgraded to the condition of a modern Army base, and it meets the criteria set out in the most recent defence estate reviews. It would be financial suicide to throw away such an investment.

There are rightly concerns that closure would damage the local economy, given the number of troops that are based there. Penicuik is a thriving community, but it needs more to support it. Given the investment in local schools and the special training given to local teachers to support our armed forces, if those Army personnel and their families were removed from the community, the impact would be felt down the line well beyond any closure.

Lastly, I must address the disappointing regard that the MOD has shown to Midlothian councillors and the Scottish Government following the announcement. I urge the Minister to take that on board and engage with all of us in the future. If the closures go ahead, what happens afterwards is vital. This ill-thought-out decision is financially unsound and strategically absurd, and it needs to be urgently stopped.

10.21 am

Chris Davies (Breckon and Radnorshire) (Con): It is a pleasure to serve under your chairmanship, Mr Rosindell. I thank my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) for securing this debate.

I am here to speak about Brecon barracks—I am the only Welsh Member here apart from the hon. Member for Caerphilly (Wayne David)—which is an important part of Brecon and Wales. There has been a barracks in Brecon for 200 years. In fact, the buildings that are currently used have been in existence for 200 years. Not only has it been home to the British Army in Wales, but many detachments from it have gone across the world—the South Wales Borderers' visit to the Anglo-Zulu war was immortalised in the film "Zulu". The adjacent museum contains 11 Victoria Crosses—one of the largest collection of Victoria Crosses outside Lord Ashcroft's hold. The Secretary of State, in his announcement about the better defence estate strategy, said that the museum will be unaffected, as will Dering Lines and Sennybridge, the infantry battle school. The barracks has been an integral part of the garrison town of Brecon.

It was interesting to hear my hon. Friend the Member for Canterbury (Sir Julian Brazier) talk about house prices. House prices would plummet in Brecon, because more than 100 civilian jobs are involved in the barracks, and many retirees from the military come back to live in the Brecon area. It is vital in economic terms that the barracks remain.

The infantry battle school trains over a vast swathe of the Breckonshire national park, but the defence estate does not own all that land—a lot of it is owned by local farmers. The relationship between those farmers and

[Chris Davies]

their families, many of whom have civilian jobs in the barracks, will be tarnished and damaged immeasurably if the barracks closes. I ask the Minister to look again not just at the economic issues but the emotional ties and the relationship between the military and civilians. That is vital, and we cannot put a price on it.

Brecon is home to the 160th Infantry Brigade and Headquarters Wales. I would like the Minister to solve a conundrum that I cannot get to the bottom of. I have spoken to the Army—in fact, I was at Brecon barracks for the 138th commemoration of the battle in the Zulu war. When I speak to the officers and the commanding officer, they tell me that they have had no conversations with politicians at a senior level, but when I speak to politicians at a senior level, they tell me that the Army is pushing for the closure of the estate. Both seem to say that the Defence Infrastructure Organisation is the middle organisation, but I wonder how much it listens to politicians and the Army. Perhaps the Minister will clarify that in his response.

Finally—there is much more I would like to say, but time is against me—Brecon barracks is not Chelsea barracks, as much as I would like to say it is. In economic terms, I am afraid that the sum that would be raised from Brecon barracks is minuscule compared with building a new HQ somewhere else in Wales. I ask the Ministry of Defence and the Minister to think again.

10.25 am

Julian Sturdy (York Outer) (Con): I thank my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) for securing this important debate and for making such a passionate contribution on behalf of her constituency. My remarks will focus purely on the local issues in my constituency, and on the impact on the community of Strensall.

Strensall, a rural village in the north of my constituency, is the site of Queen Elizabeth barracks and Towthorpe Lines, and is home to Headquarters 2 Medical Brigade, 34 Field Hospital and the training sections. Under the plans, the MOD is due to dispose of both sites by 2021. Imphal barracks, which is just outside my constituency on Fulford Road in the south of York, is scheduled for disposal by 2031. The hon. Member for York Central (Rachael Maskell) has already touched on it, so I will not go into too much detail about it. There are 54 civilian support staff employed at Queen Elizabeth barracks and Towthorpe Lines, and 365 at Imphal.

Ministers want to support our armed forces as well as possible by directing resources into new equipment and personnel, rather than using them up on maintaining buildings and land. I appreciate that the current defence estate is vast, ageing and expensive to maintain, but it is only right to express the deep disappointment many local residents feel at the proposed changes.

York garrison has a long, proud history. There has been a barracks at Fulford since 1795, and in recent years Strensall has taken pride in its role as a centre of excellence for military medicine. However, I am encouraged by the fact that the Minister and his Department seem committed to engaging with the affected communities

and managing any proposed changes in York as sensitively as possible. I thank him for having a constructive meeting last month about this issue.

The units at the site in York are scheduled for redeployment, and the MOD is still assessing the future of the civilian staff employed at Strensall and Imphal and the option of retaining some MOD facilities in the York area. My personal view is that the MOD has an obligation to offer people new or alternative roles wherever possible. As many have strong links and family ties with the city of York, I and many residents believe that the retention of some kind of military presence in York is essential.

However, the disposal of those sites and their potential development for housing and local infrastructure will have the widest impact on the city of York. The announcement in November has already had a significant impact on York's local plan. Completion of the plan has been delayed by six months while the council undertakes a full technical consultation regarding the sites so they can form part of a comprehensive and accurate plan that includes the brownfield sites that are potentially available. It is likely that the sites will be developed into residential housing. For a small community such as Strensall, that represents a significant change, so it is vital that it is carefully managed through early and comprehensive engagement with local residents, especially given the established place of the barracks in the local community.

I would like the MOD to set up a local working group to involve local residents in the process. I hope the Minister will take that idea forward, because community engagement is key for the future of the barracks in Strensall.

10.29 am

Kirsten Oswald (East Renfrewshire) (SNP): It is a pleasure to serve under your chairship, Mr Rosindell, and I thank the hon. Member for Maidstone and The Weald (Mrs Grant) for securing this important debate. All hon. Members who have spoken have made interesting and valuable contributions.

The hon. Member for Maidstone and The Weald quoted the words of the Ministry of Defence, that the aim is “improving military capability” and “rationalisation of the estate”. She spoke about the extensive “engagement”, but expressed serious concerns about whether that had taken place. She was right to have those concerns.

The hon. Lady also spoke about a real lack of information and huge uncertainty for serving personnel, their families and the wider communities. Her points and those of the hon. Member for City of Chester (Christian Matheson) about the potential impact on the already poor figures for retention and post-service employment were particularly well made.

It is important, as the hon. Lady said, for the whole process to be viewed through the lens of the armed forces covenant. I am, however, no more convinced than she is that that has been the case, particularly in relation to the impact on families. The points that the hon. Member for Canterbury (Sir Julian Brazier) made on spousal employment were especially important.

Interestingly, the debate is titled “A Better Defence Estate Strategy”, although in reality that is simply not true: it is not better, and it stretches credulity to describe

what has been announced as a strategy, which would suggest some forethought and a plan. The Government do not have a great history with plans, and this is a case in point. We heard, for example, from the hon. Member for Strangford (Jim Shannon) about the staggering lack of ongoing investment and maintenance over recent years. The strategy, if we may call it that, is in essence a farce. It aims for the loss of a fifth of the entire Scottish defence estate, which is extremely important and very concerning. Furthermore, the plans will have a real impact on the ability to provide conventional defence.

We heard about the lack of consultation, either with the public or with the Scottish Government, yet the aim is to close so many bases, many of which are of historical and cultural significance to our communities, as has been described so eloquently today, and all of which provide stability and important economic value to serving personnel, their families and their host communities. The lack of proper consultation leaves it somewhat unclear whether any of those factors have properly been taken into account. We anticipated that there would be cuts, but the volume proposed for Scotland is crushing and the justification for it is simply missing in action.

I asked the Minister some written questions about the plans, because I was keen to understand what was proposed and what financial projections could have led to such devastating decisions. The answers I got back left me, sadly, no clearer. I queried what savings would be achieved in running costs in each of the 10 years of the infrastructure reform programme. The Minister, for whom I have great respect, told me what savings it was hoped to achieve across the piece: £140 million over 10 years, rising to nearly £3 billion by 2040, all apparently to be reinvested “back into Defence”. Interesting, but not an answer to my question, which was a valid one, so I tried again.

This time I asked what capital investments were planned and what receipts were planned to be realised in each of the 10 years. I thought that was quite straightforward—clearly, the MOD would not have a plan that it had not based on proper financial metrics, would it? This time the answer was—well, the same as the first answer, although it helpfully clarified that the profile across the 10-year programme was “being refined”. In plain English that means that the MOD does not know—the hon. Member for Berwick-upon-Tweed (Mrs Trevelyan) said the same a little more politely.

The MOD has therefore announced this hugely important and hugely destructive programme for the Scottish defence estate without doing the maths. That is outrageously irresponsible. Scottish armed forces personnel, their families and the local communities will feel gravely let down by that back-of-a-cigarette-packet approach to their lives. The hon. Member for City of Chester, for example, spoke powerfully about the impact on personnel and children, which is hugely important. The rest of us might reflect on how comfortable we are with our conventional defence footprint being planned with that kind of so-called strategy.

What exactly are we looking at? What is the scale of the cuts? My hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry) pointed out that the Black Watch will leave its historical home at Fort George with a loss of more than 700 jobs and £16 million a year to the highlands economy. The Army

barracks at Redford and Craigiehall in Edinburgh, and historic Glencorse in Midlothian, which is home to 2 Scots, are to be axed.

Drew Hendry: My hon. Friend is making a powerful argument about the financial cost, but promises to people have been broken as well, including the solemn promise that the Black Watch would have a permanent home at Fort George. How will the Minister respond to that betrayal of the people who have served in the Black Watch?

Kirsten Oswald: My hon. Friend's point is particularly well made. I look forward to the Minister's response.

Interestingly, as my hon. Friend the Member for Midlothian (Owen Thompson) pointed out, although it is only 13 years since a £60 million investment in Glencorse, which was described by the then Secretary of State for Defence as a “super-barracks”, even Glencorse has not been saved from this Government's financial mismanagement of and disdain for the defence of Scotland. No wonder Mark Serwotka, general secretary of the Public and Commercial Services Union, expresses such concern about the plans, saying that they throw the future into doubt for thousands of staff.

Even if numbers of service personnel remain steady, significant numbers of civilian jobs will be lost, estimated at 700 at Fort George and 200 in Stirling. Unite described the closures as “brutal” and emphasised the impact on our local communities. As the MOD should know, in many instances the bases earmarked for closure are at the heart of their local communities, providing a source of decent and secure employment. Not only is the MOD weakening the defence of Scotland, but it is creating real problems for thousands of people.

All we can say with certainty is that, in the MOD's own words, there is “reprovision intended for Scotland”. Meanwhile, a massive upheaval and a great deal of uncertainty for service personnel and their families will certainly result. All of that is accompanied by the staggering lack of detail and clarity that my hon. and learned Friend the Member for Edinburgh South West (Joanna Cherry) described so well, which is causing huge concern and uncertainty and throwing huge doubt on the programme and on defence planning and provision for Scotland.

The National Audit Office has identified a black hole of at least £8.5 billion of unfunded costs caused by the steady decline in the condition of the estate. It states that there is significant risk that the poor condition of the estate will affect the Department's ability to provide the defence capability needed. In addition, the UK Government's military priorities are all wrong for Scotland: we are a maritime nation with no maritime patrol aircraft and not one conventional ocean-going vessel in our ports. We have grave concerns that as our conventional capability shrinks further and further to pay for nuclear weapons, the United Kingdom's last line of defence is increasingly becoming its first and only line of defence.

The announced closures are, as my hon. Friend the Member for Inverness, Nairn, Badenoch and Strathspey put it so well, the latest in a series of betrayals and the breaking of promises made to the Scottish people before the independence referendum when we were told time and again that defence jobs could only be protected in the Union. We were threatened with dire repercussions

[Kirsten Oswald]

in the event of a yes vote. The then Secretary of State for Defence, the right hon. Member for Runnymede and Weybridge (Mr Hammond), claimed that in the event of independence “the Scottish people” would not benefit

“from anything like the level of security the UK armed forces currently provide, or the level of prosperity that Scotland’s defence industry currently delivers.”

Just as with the non-existent national shipbuilding strategy, the Trident safety issues that we can hear about on CNN but not in this House and the national equipment plan that the auditors say simply does not add up, we have vital questions about our future defence estate going unanswered. The Government are full of warm words for our forces—perhaps the Minister will also take the opportunity to update us on what he is doing to secure the return of Billy Irving and the Chennai six—but in reality such words are sometimes seen as just that, words. The UK Government seem quite unable to ensure the defence of the realm. The UK Government have failed in their first duty to their citizens and betrayed the people of Scotland yet again. An independent Scotland would have a proper conventional defence force built in our national interests.

10.38 am

Wayne David (Caerphilly) (Lab): We have had an excellent debate this morning. I congratulate the hon. Member for Maidstone and The Weald (Mrs Grant) on raising the issue and on speaking so eloquently about her own constituency and the Invicta Park barracks in Maidstone. All of us have natural empathy for the Gurkhas, recognise the huge contribution that they have made to the defence of this country and are deeply concerned about their treatment and that of their families.

We have heard from a number of Members about different areas, but I will mention in particular the contribution about Kneller Hall, which I feel strongly about as a musician myself. I recognise the contribution to music generally, not only in the armed forces. As a Welshman, I have a long appreciation of the barracks in Brecon and was tempted to burst into “Men of Harlech” when the hon. Member for Brecon and Radnorshire (Chris Davies) talked about “Zulu”. I am very pleased to be going up to Brecon this weekend to hear the band Rorke’s Drift. I am sure it will be a superb performance.

This is an important issue. As we all appreciate, 1.8% of the UK’s land mass is currently taken up by the defence estate, and we are talking about a massive contraction in the size of that estate: 91 sites will close and the estate will be cut by 30% by 2040. I have several concerns, which in part echo what Members have already said, and I will distil them into three areas.

First, I am deeply concerned by the apparent lack of rationale behind the closure programme. It appears that we are embarking on an arbitrary voyage rather than embracing a long-term strategy driven by changing military need. I suspect that the Treasury is lurking in the wings and demanding that this kind of change takes place as quickly as possible. We are talking about a potential reduction in the workforce of 18,000, or 30%. We are talking about relocation. We are talking about individuals having to travel long distances to work—or, I suspect, large numbers being transferred to the private

sector. I am mindful of the Public and Commercial Services Union’s concern that the programme may well be a smokescreen for the privatisation of the workforce and a reduction in their terms and conditions.

Secondly, I am concerned about the impact of closures on local communities. That concern has been articulated by several Members, and there is no better example than the one the hon. Member for Maidstone and The Weald provided about how the Gurkhas are very much integrated in the local community. They feel as though they are part of the community, and the community welcomes and embraces them. It would be a great shame if we simply severed such an important link on the basis of short-term financial expediency. I must question whether this is all about value for money.

The National Audit Office said that past actions that the Ministry of Defence

“took to live within its means are now leading to increased costs overall and creating risks to military capability.”

My concern is that that ill-thought-out approach is being replicated. We can all point to the example of what happened with MOD housing and Annington Homes, which the Public Accounts Committee looked into in some detail. Unfortunately, the MOD sought to make savings by selling service family accommodation to the private sector but failed to achieve a good sale price. The result was a continued deterioration in the MOD estate and accommodation for service personnel. That is a great shame for the armed forces as a whole and the British Army in particular, and we need to learn from those mistakes and ensure that we do not replicate them.

That leads me to my concern about the involvement of the private sector in this process generally. I am especially concerned about the key role of Capita, which leads a consortium. Capita was awarded £90 million between June 2014 and July 2016, half of which went into its profits. That is a cause for concern. The National Audit Office highlighted that, saying that the MOD has

“failed to set contractual safeguards to ensure savings are achieved from operational improvements, which was the primary aim of the contract”

given to Capita,

“rather than one-off cost-cutting.”

The NAO added that Capita

“has not met all milestones or performed adequately against agreed key performance indicators.”

In other words, the taxpayer, the MOD and the armed forces are being short-changed by an ideological move by this Government.

Those are my concerns. My general concern is that there is a genuine fear that land will be sold off below market value. We are told that there is a need to build more houses. We all agree with that, of course, but the Ministry of Defence so far has not demonstrated that it has put its important talk about new houses into practice.

Sir Gerald Howarth: One of the statistics that I omitted in my reference to Project Allenby/Connaught is that the Ministry of Defence is delivering on that talk with 3,850 new properties in Aldershot. Somehow, the Ministry of Defence stumbled on a good idea and appointed Grainger to manage the release of that land, and that is what is happening.

Wayne David: Indeed. That is commendable, but it is the exception rather than the rule. That is not being replicated elsewhere across the estate. It shows what can be done if a clear strategy is in place, but as we have heard, there is no clear strategy. The Government are taking a ham-fisted approach towards the estate on a very short timescale and in a manner that has not been properly thought out. What has happened in the past is a clear indication that we are unlikely to see the 55,000 new homes that the Government have promised.

The Parliamentary Under-Secretary of State for Defence (Mark Lancaster): I wonder how a strategy that runs to 2031—that is in some 14 years' time—can be described as having a short timescale.

Wayne David: It is important, first, to have a strategy in place. The strategy is absent. Secondly, once the guidelines for the approach have been worked out, there should be proper consultation. As we have heard, in so many cases, consultation is retrospective. Once consultation has taken place, we should move to a contraction of the estate. I agree in principle with many Members that the estate is too large, but we need a proper, structured approach, not for decisions to be made and justification provided retrospectively.

Let us have a proper strategy, a debate and a consultation, and then let us seriously and sensibly approach the contraction of our estate. I would like to hear the Minister's response not only to those points but, more importantly, to the concerns that several Members have articulated this morning.

10.47 am

The Parliamentary Under-Secretary of State for Defence (Mark Lancaster): It is a pleasure to serve under your chairmanship, Mr Rosindell. I congratulate my hon. Friend the Member for Maidstone and The Weald (Mrs Grant) on securing this debate, and welcome the opportunity to discuss our strategy for a better defence estate.

Some Members, especially the hon. Member for Caerphilly (Wayne David), seemed to question whether there is a strategy, so I will spend the first half of my time trying to explain exactly how that strategy was put together—it was based very much on military capability. I will then try to address some of the individual points that colleagues have raised. Realistically, I will be unable to do that in the 10 minutes I have—I must allow my hon. Friend time to wind up—so I commit to writing to hon. Members.

Until I became a Defence Minister, I did not appreciate the sheer size of the Ministry of Defence's landholding. We are the country's third largest landowner, after the Forestry Commission and the National Trust. Our defence estate represents almost 2% of the United Kingdom land mass—it is equivalent in size to Luxembourg. Whatever comparator we choose, it remains a fact that our estate is vast and vital to our military capability. It is where our people work, live and train, and where advanced equipment is maintained, cutting-edge research is undertaken, major exercises are conducted and major operations are launched.

The estate is vast and vital, but it is also too inefficient. To give hon. Members an idea, our estate costs £2.5 billion a year to maintain, 40% of our assets are more than

50 years old and, because of long-standing budgetary pressures, we simply have not been able to spend enough on maintenance in recent years through successive Governments. Many units are housed in bases and locations that are not fit for purpose and that are neither geographically nor logistically efficient. What is more, while the armed forces are 30% smaller than they were at the end of the last century, the estate has reduced by only 9%.

Sir Gerald Howarth: The whole point is that the armed forces are now at their smallest size. What strategic thinking is the Ministry of Defence doing to consider how it will cope with an increase in all three services to meet future demands? Once we have scrapped an airfield, it will take an awful lot of compulsory purchase to get one back.

Mark Lancaster: As I described at the start of my speech, we own 2% of the United Kingdom. Even if we reduce the estate by 30%—someone can do the maths—we will still own 1.4% of the United Kingdom. After the reduction, we will still have an area twice the size of Greater London. There is still scope, if needed, to expand.

In these straitened times when budgets are tight but the threats to our country are growing, efficiency and productivity are the watchwords of successful defence. Let us not mince our words: an inefficient defence estate undermines the effectiveness of our armed forces and the security of the nation they exist to protect. Those are the hard facts. We need to act, which is why the 2015 strategic defence and security review committed to invest in a better built estate that will reduce in size by 30% by 2040, and that will, most crucially, better support the future needs of our armed forces and enhance our military capability, ensuring that our armed forces are the best they can be.

In November, we set out how we plan to do that, when the Defence Secretary unveiled our strategy for a better defence estate, which is the most significant change to defence land since the second world war. The strategy is based on advice from the service chiefs and all decisions in it have been predicated on military need. It has two strands, the first of which is to rationalise our estate, selling off sites that are surplus to defence needs and bringing people and capabilities into new centres of specialism. Secondly, we will invest, spending £4 billion over the next decade on improving our infrastructure and modernising our accommodation. In short, our vision is to create a world-class estate for our world-class armed forces.

Those are lofty words, but what does that mean in practice? For the Royal Navy, it means continuing to focus on operating bases and training establishments around port areas and naval stations, with surface ships in Portsmouth and Devonport; all the UK's submarines on the Clyde; a specialist amphibious centre in the south-west, based around Devonport; and helicopters based at Yeovilton and Culdrose. For the Army, it means specialised infantry will be concentrated in Aldershot; mechanised, wheeled capability, including two of our new strike brigades, will be in Catterick; air assault forces in Colchester; armoured and tracked capability around Salisbury plain; medical services in the west midlands; and hubs of light infantry battalions in London,

[*Mark Lancaster*]

Edinburgh, Lisburn, St Athan, Blackpool and Cottesmore. For the RAF, it means building on its existing centres of specialism, with combat air in Coningsby, Marham and Lossiemouth; intelligence, surveillance and reconnaissance at Waddington; air transport at Brize Norton; force protection at Honington; and support enablers at Wittering and Leeming.

The strategy will also see our joint forces command consolidate as much of its capability as possible in centres of specialisation, with defence intelligence at RAF Wyton, the defence academy at Shrivenham and information systems and services at MOD Corsham all due to absorb units relocating from elsewhere. No less importantly, for our servicemen and women and their families, it will mean a better quality of life, which is a key factor for us when we consider that the welfare of our personnel and their loved ones is the key to efficient and effective armed forces. By locating our servicemen and women together with capability, we will provide better job opportunities for their partners, more stable schooling for their families and increase their ability to buy their own home. For those continuing to live in service accommodation, we will invest in creating more modern and more comfortable homes.

Rachael Maskell: I thank the Minister for giving way on that point, because that is contrary to what the armed forces families are saying. They want to be integrated into the wider community. Personnel are saying that, too, because they want to know that their families are stabilised while they are focused on operations.

Mark Lancaster: The whole purpose of consolidating into larger garrisons, often near large centres of population—York is one but not the only one—is to give that stability so that people are not constantly being moved. For example, the consolidation of three armoured engineer regiments around Salisbury Plain means that, as a soldier progresses in their career and is posted between the three regiments, they can stay in the same home. That is the sort of stability that we want to create, rather than having them posted from one end of the country to the next every three years.

Finally, a better defence estate will deliver better value for money for taxpayers. By releasing sites we no longer need, we can help build the houses that we do need. Our strategy includes plans for the release of sufficient land to build up to 55,000 homes in this Parliament. Yes, some areas will lose their military establishments, but the timely publication of our better defence estate strategy will give the MOD and the affected communities both the time and the opportunity to plan the future uses of those sites.

My hon. Friend the Member for Maidstone and The Weald gave a passionate opening to the debate. I understand her concerns, but the simple fact is that her barracks, Invicta Park barracks, is too small. I know it well as a Royal Engineer. She knows that the Engineer regiment currently on that site has to have one of its squadrons displaced at Rock barracks up in Suffolk. It is difficult for a commanding officer to command a regiment when one of their sub-units is more than 150 miles away, and there is no opportunity to expand the site of their barracks.

Both my hon. Friend and the hon. Member for York Central (Rachael Maskell) mentioned the Gurkha community. As my hon. Friend knows, I joined the Queen's Gurkha Engineers—the regiment she talked about—as an 18-year-old in 1988 and served for three years in Hong Kong. Subsequently, the regiment moved to Kitchener barracks in Chatham and has now moved to her location. I think only four of us in the Chamber were in Parliament at the time of the great debate about our fight to try to equalise the terms and conditions for Gurkha soldiers in the British Army. That was absolutely the right thing to do, but she and the hon. Lady now seem to suggest that we should treat Gurkhas differently from other British soldiers. I find that worrying, and it could be the wrong thing to do. As someone who is a strong advocate for the Brigade of Gurkhas and probably the only Member of Parliament who has served—twice—in the Brigade of Gurkhas, I urge a degree of caution about how we make progress on that front.

I met the hon. Member for City of Chester (Christian Matheson) recently and talked about Dale barracks. I confirm that Fox barracks—the reserves barracks—will remain in place, and the Mercians will relocate in the north-west, co-locating in the King's Division.

In many ways, my hon. Friend the Member for Aldershot (Sir Gerald Howarth) articulated the vision for the future. We want to invest in our infrastructure in the years ahead to create the first-class environment. Hon. Members on both sides of the Chamber spoke of their concern about the lack of infrastructure, but no one who argued against the estate strategy explained where the money would come from if we do not have the opportunity to dispose of some of the estate. I confirm that all of the money we will release from disposal of the estate will be reinvested in defence.

Drew Hendry: Will the Minister give way?

Wayne David: Will the Minister give way?

Mark Lancaster: I will not give way because we have no time and I have to allow my hon. Friend the Member for Maidstone and The Weald one minute to wind up at the end.

My hon. Friend the Member for Twickenham (Dr Mathias) and I had a debate almost exactly a year ago in this Chamber. She realises that it will cost £30 million simply to refurbish Kneller Hall. We are currently looking at three other sites for potential relocation—no one has started to leave yet—but it is the sort of constrained site that, as we discussed last year, is simply not an ideal place for future investment.

The hon. Member for Strangford (Jim Shannon) underlined the need to invest in our estate. That is exactly what the strategy does—it releases the funds that we can reinvest into the estate. I am running out of time, and I have to allow my hon. Friend the Member for Maidstone and The Weald one minute in which to wind up.

10.59 am

Mrs Grant: I thank all hon. Members present for supporting the debate, and for their valuable contributions. Many of the negative points that have been raised are shared, but I am pleased that we have also heard about

some unique vulnerabilities, whether historical or geographical, including the case of the Gurkhas and the Nepalese community in my constituency. I want to clarify for the Minister that I ask not for different treatment, but for fair treatment.

I listened carefully to the Minister's remarks about capability and rationalising, but I still have concerns that the desire for cash and housing is clouding thinking. I think there will be a negative long-term impact on military communities and the country. I shall finish where I began, by asking the Minister, a man who has valuable personal experience, to look again at the decision to close all 91 of the barracks and bases in question, and to return with a reconsidered Government position.

Motion lapsed (Standing Order No. 10(6)).

Education Funding: Southend

11 am

Sir David Amess (Southend West) (Con): I beg to move,

That this House has considered future funding provision for education in Southend.

And now for something completely different, Mr Rosindell—education in Southend, and the impact that the new national funding formula would have there if it went ahead without any changes. I have never been in favour of officer-led local authorities. Councillors are elected; they form an administration and should give instructions to officers, who carry them out. I have never been in favour of civil servant-led Governments. The civil service in this country is wonderful, but Governments are elected and Ministers should be strong enough to tell civil servants what their policy is, be aware of political ramifications and make sure their directions are carried out. I am giving my right hon. Friend the Minister the benefit of the doubt. He and I have known one another a long time and I hold him in great regard; he will not take offence when I say that I do not want him just to read out the civil service brief and palm me off with a lot of nice old platitudes at the end of half an hour. Let there be no doubt: if the proposed changes go ahead I shall vote against the measure needed to bring them in—and we have a majority of only 11. I am not going to mess about on the issue.

In the years since I became an MP I have listened to so many rebrandings of schools that I am sick to death of hearing what we are to call them—academies, grant-maintained and all the rest. We keep coming up with new ideas, but in the end it is down to the leadership of headteachers. I just want all children to be given the best possible opportunity, and I want fairness in the system. Leadership is essential, and I am glad to tell the House that the leadership of schools in Southend is magnificent. Before I turn to the general thrust of my argument, I have a point to make gently to the Minister. I was in Parliament when the community charge was proposed and I do not for a moment regret my support for it. If it had been introduced in a certain way it would have been an enormous success, but unfortunately we listened to the civil service proposals at the time, no exemptions were allowed, and we all know what happened. Eventually the policy resulted in the removal from office of the greatest politician I have ever known. I do not want the new funding formula to end up like the community charge.

My right hon. Friend the Minister will have the same briefing that I have, telling him that the national funding formula is aimed at addressing the unfairness of similar schools and areas receiving different levels of funding, with little or no justification. I am told that it will distribute the majority of funding directly to schools, to ensure that every child with the same needs will receive the same funding regardless of where they live—all very worthwhile. Under the formula, funding will be divided and allocated into four notional blocks—schools, high needs, early years and the central school services block, which is due to be phased in from 2018-19.

A hard national funding formula will, I am told, apply from 2019-20 for each mainstream school's budget. Its purpose is that there should be a national standard

[*Sir David Amess*]

for funding, which will remove the haphazard multiple funding formula in every local authority area. In addition, notional budgets will be calculated for the schools block funding in 2018-19, according to the national formula, using national averages as a starting point, and will be aggregated and allocated to local authorities in line with the locally agreed formula. I am trying to save my right hon. Friend some time, so he need not repeat those things in his reply.

I am not here to support the National Union of Teachers. I am glad that it has a new general secretary; I had no time for the last one, who I will never forget hearing shouting through a loudhailer about accident and emergency unit closures, outside party conference—it was terrible leadership. I hope that the new post holder will provide better and more sensible leadership. However, I am not presenting an NUT brief—or a House of Commons Library brief; the latter are normally the fountain of all truth. I am presenting a brief from local residents, making local points. I should point out that Southend has a Conservative-controlled council under the excellent leadership of John Lamb. The education portfolio is with James Courtenay.

I want now to make the case for changes for Southend. The proposed national funding formula for schools would be likely to have a devastating impact on every school in Southend West. Initially, somewhat naively, I welcomed the NFF as a potential major improvement in the current funding situation, but the weightings and the lack of stress testing have produced shocking consequences. Southend is now one of only four local authorities in which every school will lose out under the new arrangements. That amounts to making it the 11th biggest loser of all local authorities, and nationally the 84th worst-affected constituency. Those figures were given to me in a briefing by Councillor James Courtenay.

The impact of the NFF on schools in my constituency was brought to my attention in December 2016 in a letter from Mr Badger, the chairman of the governing body of Southend High School for Boys, which, together with the other three in Southend, is one of the finest grammar schools in the country. He stated that the proposals would, “shockingly”, see funding reduced by a further 2%. For that school and many others in the borough the proposed changes are bewildering. Southend High School for Boys was recently rated outstanding in every category of its last Ofsted inspection, and was ranked 67th in national key stage 4 secondary school performance for 2016. Moreover, it has demonstrated prudence in budgeting and expenditure, and was even cited in the White Paper “Educational excellence everywhere” last March as a model case study of an efficient school.

While the aim of the national funding formula is, so we are told, to address the unfairness of similar schools and localities receiving different levels of funding through the setting of a mainstream school budget nationally, it fails properly to recognise the differing needs of each school’s cash-per-pupil funding. It will hinder rather than help schools in the area that I and my hon. Friend the Member for Rochford and Southend East (James Duddridge) represent. He may, if he catches your eye, Mr Rosindell, speak about the schools in his constituency.

Illustrative figures suggest that if the hard formula for 2019-20 were to be introduced now, without any transitional protections, schools in my constituency such as Chase High School—which was prayed in aid as a centre of excellence when it was visited by Baroness Morris years ago—would face a £173 reduction in per-pupil funding. That would be a total cash loss of £163,000. Perhaps I may remind the Minister about Belfairs Academy, a wonderful school, which he opened—so he has seen how good it is at first hand. That school would lose £147 per pupil in funding, with a total cash loss of £168,000. Westcliff High School for Girls, where one of my children went, would lose £133 in cash per pupil funding, with a total cash loss of £109,000.

Moreover, even with the NFF 3% floor, schools in my constituency will not see a tangible funding increase for many years to come. Westcliff High School for Girls is set to lose 5.6% of its budget; with the floor in place, that will be reduced to a loss of 2.9% over two years. That school will not receive a further increase in its funding until the difference between the 5.5% and the 2.9% has been reduced through increases to the school’s allocation in the education budget. In short, if the school receives a 1% addition to its funding, there will be no improvement to its cash funding for about five years, which does not paint a rosy picture of fairness.

Primary schools in the area that I represent will also be hit hard. According to Darren Woollard, who is an excellent headteacher and the chairman of Southend Primary Headteachers’ Association, reductions in funding will seriously undermine vulnerable learners who need help the most. Furthermore, the NFF’s funding cuts to early years provision and the impending 30 years will have a major impact on capacity across the borough. I hope my right hon. Friend the Minister will not mind if he has slightly less than 15 minutes to respond; I would like my hon. Friend the Member for Rochford and Southend East to catch your eye, Mr Rosindell.

In essence, the cuts to funding will affect the quality of education and opportunity for pupils from an early age. The reduction in funding is likely to spark a downward spiral for education in the area that I represent, raising the risk of a recruitment crisis in the teaching profession and leading to the closure of schools due to the financial implications of the funding formula—something the Government would certainly not want. On average, £5,000 per pupil is needed to run a secondary school and £4,000 per pupil is needed for a primary school. Where I was brought up, in the east end of London, we did not spend those huge amounts of money on education. We had 56 pupils in a class, and we all managed to spell, write, read and all of that, but times have changed. I accept that all schools now think that the money that they are given is crucial to the quality of their education provision, not only across the country but in Southend in particular.

The NFF’s implementation in Southend will mean that seven secondary schools and 19 primary schools will no longer be financially viable and will ultimately have to close. Southend High School for Boys, Belfairs Academy, Westcliff High School for Boys and Westcliff High School for Girls, which are all academically wonderful schools, will all be needlessly mutilated by the funding formula. The Westborough School, which is a wonderful school in the area I represent under the marvellous leadership of Jenny Davies—it is a tragedy that she will

retire later this year—is in a ward with a literacy rating of 2, which classifies it as being in the top 20% for educational need in the country. If the NFF is put in place in its current form, it is likely that that need will substantially increase. Some 23% of the population are 16-plus and have no qualifications in the area that I represent, which also has a total literacy index score of 103, which is above the rate in England and indicates literacy vulnerability.

In many ways, the NFF's effect on schools in Southend has the potential to raise unemployment, poverty and deprivation in the longer term—especially when the population is projected to increase to approximately 200,000 by 2027. Distortions in the NFF's calculations for Southend have been highlighted by headteachers in my constituency. Dr Paul Hayman, the wonderful headteacher of Westcliff High School for Girls, has highlighted the NFF's lack of transparency in not showing the values for area cost adjustment ratios. He cites the fact that the current basic funding unit for a pupil in years 7 to 11 at Westcliff High School for Girls is £4,225, which will reduce to £3,984. Many inner-London schools are still set to be allocated £7,000 per pupil in London, which is a difference of £2,298 per pupil and opens up the question of how that can be justified. I say, as a Londoner myself, that that is just not fair.

Of course, one may claim that school budgets in Southend have been protected in recent years, and that the NFF will redress that balance. However, schools in the area that I represent have tightened their belts over the past seven years by increasing class sizes, reducing administration costs, reducing spending on books, computers and resources and limiting the number of courses offered to GCSE and A-level students. Why should there be more financial affliction for schools in the area that I represent due to this rigid proposed formula?

I end with some thoughts and a solution for my right hon. Friend the Minister. With the consultation closing, as I understand it, on 22 March, I urge the Government to increase basic per-pupil funding. Grammar schools are currently campaigning for basic per-pupil funding of £4,800, and many headteachers in the area that I represent support that. Furthermore, it would be wise if the Government presented an area cost adjustment that was—to use that awful expression—fit for purpose and represented the demographic needs of Southend. Most importantly, however, the Government should introduce a national minimum level of funding per pupil without enlarging the overall schools budget. We do not need hordes of civil servants to advise the Government on that matter; the hon. Member for Southend West is advising the Government to do that.

Although the Government have emphasised the 3% floor in funding drops, along with transitional arrangements in the interim before the hard formula is introduced in 2019, national minimum funding per pupil would guarantee certainty in safeguarding the financial provision of funding per pupil for all schools in Southend, and it would not harm or lead to the closure of schools that have an excellent academic record. I hope my right hon. Friend the Minister will not only have listened politely to what I have said but will actually take notice of the representations that I have made and that my hon. Friend the Member for Rochford and Southend East is about to make.

11.16 am

James Duddridge (Rochford and Southend East) (Con): I congratulate my hon. Friend the Member for Southend West (Sir David Amess) on his contribution and on initiating the debate. I particularly welcome the Minister, who is a beacon of stability in a Department in which Secretaries of State can come and go. I was an Education Whip during the Minister's first incarnation as an Education Minister, and it is good to see him back in his proper place as a beacon of stability within that Department.

I welcome the consultation, but for us, NFF stands more for national funding failure than national funding formula. I gently say to the Minister that, if the consultation does not result in changes, it will not pass through the House. My hon. Friend has said that he will not support it; I—as somebody who loyally supports the Government—will not support it if the funding formula does not change, both in relation to Southend and more generally. I agree with the principle of a national funding formula. I understand that an eighth of Government spending is on education so it cannot be an area that we do not look at and review, but it cannot be right that Southend is, as my hon. Friend said, one of four areas in which every school loses out—the only area to do so outside London. That seems wholly unacceptable.

The budget pressures are great. Some 80% to 90% of budgets go on staffing, while pensions and national insurance contributions are rising faster than the rate of inflation, whether measured by the retail prices index or otherwise. These are very difficult times. Schools do more now than they did in the past; year after year, schools are expected to do more with less. It is not just about cutting the obvious things. The excellent headteacher of Hamstel Infant and Nursery School, Mrs Clark, wrote to me to demonstrate that there would be a massive impact on that school's ability to do what it was already trying to do, and that it was being asked to do more under the funding formula. That is typical of all the other primary schools. Other schools have already reduced the number of older staff, who are more expensive, and have replaced them as they retire early or at the right time with cheaper, younger employees.

If the NFF goes ahead, it will lead to redundancies. Learning support assistants will be made redundant and non-core subject teachers will be made redundant in virtually every school, including Southend High School for Girls, Cecil Jones Academy, Shoeburyness High School, St Bernard's High School and Futures Community College, in addition to all the primary infants schools. I know that the funding formula does not apply to special needs schools, but there are parallel issues there as well. In addition, we have grammar schools that are underfunded and would benefit from a higher level of basic funding. At the moment, the position is untenable.

I welcome the capital expenditure that the Government are facilitating. I also welcome the work on opening out grammar schools. Roughly 100 grammar school pupils come from the Thurrock unitary area, which is represented ably by my hon. Friend the Member for Thurrock (Jackie Doyle-Price), who cannot speak for herself in the Chamber given that she is a Government Whip. Putting more grammar schools in Thurrock would help Southend, in that more local people—people in not only the Southend postcode but Great Wakering and the broader Essex and Thurrock area—would come in.

[James Duddridge]

The Government must do something. They could do something on the area cost adjustment and on the London allowance. Lots of people will not come into Southend from an area in the outskirts of London where they could be paid more. The Government could do more on funding grammar schools, on transitional arrangements and on arrangements for bulge groups going through, which they are in secondary schools. Without doing that work and without Members of Parliament being on board, the proposals simply will not and should not get through the House of Commons.

11.20 am

The Minister for School Standards (Mr Nick Gibb): It is a pleasure to serve under your chairmanship, Mr Rosindell. I congratulate my hon. Friend the Member for Southend West (Sir David Amess) on securing this important debate. I am grateful for this timely opportunity to discuss the details of the proposals for introducing a new national funding formula. I have known my hon. Friend for as many years as he has known me, and I assure him that I do not intend to palm him off with fluffy platitudes.

We are now more than halfway through the consultation process on these proposals, and we have heard views from across the school sector and from all parts of the country. Throughout the consultation period, we are considering all representations from local authorities, teachers, governors, parents and hon. Members in this House. We are listening carefully so that we can ensure that the final national funding formula is the right one.

Many Governments have avoided introducing a national funding formula. We have grasped the nettle. It could be argued that in a time of fiscal restraint, we should have avoided introducing a national funding formula, but we think it is right to introduce such a formula and are proceeding with the consultation with the intention of introducing that formula. It is an open and transparent consultation, which is why it includes illustrative allocations for every school and local authority in England, calculated on the basis of figures for 2016-17, to help schools and others to understand the impact of the proposals. Those allocations are only illustrative.

The new formula will apply, as my hon. Friend the Member for Southend West said, in 2018-19 on the basis of a soft formula, which means that the local school forum can alter the allocations within the funding envelope for Southend. We have already announced that for 2017-18, no local authority will see any fall in its funding levels.

We believe that what we are proposing achieves the best balance between the different elements of the formula—between the core funding for every pupil and the extra funding for those with additional needs, and between the funding that relates to pupils' characteristics and the funding that supports schools to meet their fixed costs. Those are complex trade-offs, which is why we are consulting for a full three months on the proposals.

The single biggest element of the national funding formula will be a basic amount that every pupil attracts to the school. That will account for around three quarters of the total schools block—about £23 billion of the total £40 billion. We are clear that significant funding should be directed through the formula to children

from disadvantaged backgrounds who face entrenched barriers to their education. Schools that are educating those children should receive extra resources, so that they can support those children to do as well as their peers. We propose to spend more through the formula than is currently spent on pupils who start school with low prior attainment compared to their peers, so that they can get the extra support they need to catch up.

Overall, we want to maximise the amount of funding spent on factors that relate directly to pupils' so-called characteristics. Our proposed lump sum of £110,000 per school, regardless of its size, is just below the current national average if we aggregate the 150 local formulae in the country. It is significantly below the sum that Southend uses locally, but we still believe that the lump sum is an important element of the formula. Our proposals recognise that all schools need a fixed element of funding that does not vary with pupil numbers and characteristics, to provide a level of certainty. One reason—it is not the only one—why Southend schools face these percentage reductions is the difference in the lump sum figure.

The decisions we have made in balancing the formula will certainly have different effects across the country, depending on how they differ from decisions that local authorities have taken on their local formula. The anomaly is in the local formulae, rather than in what we are proposing in the national formula. In the case of Southend, the current local formula uses a higher basic per-pupil amount than the figure we propose in the national funding formula. Southend also concentrates funding for deprivation more narrowly. In the national funding formula, we want to spread deprivation funding more broadly and further up the income spectrum, so that we can target additional funding to pupils who are not necessarily eligible for free school meals but whose background may still create a barrier to their education.

We know that some areas and schools will disagree with the balance we have struck in the proposals. That will be the case particularly in areas where the proposed national funding formula will mean a lower level of funding than the current baseline for 2016-17, such as in Southend. We are keen to hear views on whether we have got that balance right and welcome any additional evidence through the consultation. We will look to change our proposals where the evidence shows clearly that the balance needs to shift.

I took on board the advice from my hon. Friend the Member for Southend West, which will trump any advice we receive from experts across the country. He argued for a *de minimis* funding level of £4,800 per secondary school pupil, and his advice will be considered as part of the consultation process.

While there will be different views about the precise balance of the factors, there is certainly a consensus, as my hon. Friend the Member for Rochford and Southend East (James Duddridge) confirmed, that we need a national funding formula and a fair funding system that gets resources to where they are needed most. No matter where children live and whatever their background, prior attainment or ability, they should have access to an excellent education. We want all children to be able to reach their full potential and to succeed in adult life. That ambition can be achieved only if we have a fair approach to funding, whereby funding relates directly to children's needs and the schools they attend.

Under our proposals, the funding system will be clear, simple and transparent for the first time. Similar schools will be treated in the same way right across the country. We will no longer see the wide range in funding levels that we see now, and it will no longer be the case that the amount a child attracts to their school depends on where they live or their school's location. Our proposals will end the postcode lottery in school funding and extend opportunity across the country.

I want to give my hon. Friend the Member for Southend West a minute to conclude at the end if he wishes; if not, I will plough on. I am hugely grateful to have had this opportunity to look closely at how we can ensure fairer funding for our schools. It has been very useful to hear from my hon. Friends for Southend West and for Rochford and Southend East and to take time to consider the important issues that they both raised.

Sir David Amess: The thing that slightly disturbs me in what my hon. Friend the Minister slipped in is that it seems as if he is blaming the local authority for the disparity in the figures.

Mr Gibb: I am making the point that we are aggregating 150 separate local formulae into one national funding formula, which will inevitably mean there will be changes. That is particularly inevitable, mathematically, if we then illustrate the new formula on the basis of existing figures. However, I understand my hon. Friend's points. As I said, these are illustrative figures and will have no impact on 2017-18. The overall level of school funding, at £40 billion, is the maximum amount we have ever spent on schools. It will rise in the years ahead. Schools will receive more money if their pupil numbers go up and if their pupil characteristics change. We expect school funding to be at about £42 billion by 2019-20. That does not mean to say that the formula will not have the impact we are illustrating; they are illustrative figures only.

Question put and agreed to.

11.30 am

Sitting suspended.

Superfast Broadband: Rural Communities

[MR GRAHAM BRADY *in the Chair*]

2.30 pm

Mr Alistair Carmichael (Orkney and Shetland) (LD): I beg to move,

That this House has considered the rollout of superfast broadband to rural communities.

It is, as ever, a pleasure to serve under your chairmanship, Mr Brady. Anyone wondering why broadband should be of concern to me and my constituents could do no better than to look at the briefing paper prepared by the House of Commons Library for today's debate. If anyone is looking for Orkney and Shetland in just about any of the various league tables in that paper, do not bother looking for us at the top of most of them, because we are generally at or around the bottom. We are the sixth lowest UK constituency for superfast broadband availability, and in the table for average speeds, the situation is even worse—we are fourth lowest. The only table where we feature near the top—fourth from the top—is unfortunately the one showing the percentage of households in constituencies that are unable to get connection speeds of 10 megabits per second or more.

Mr Gregory Campbell (East Londonderry) (DUP): I congratulate the right hon. Gentleman on securing the debate. When we look at the maps, it is quite obvious who is in or near the relegation zone, and his constituency is indeed there or thereabouts, but does he agree that, within the confines of those maps and that assessment, there are smaller areas within larger constituencies that are also very badly affected in terms of not having superfast broadband access?

Mr Carmichael: Indeed. Breaking the picture down to ward level gives a much better idea of what is happening on the ground, but even when one looks at the statistics that are provided, one does not have the full story. I know from engaging regularly with BT in my constituency that it will say that x number of people within an area now have broadband access—it is doing that within postcode areas, essentially—but one will find that, even within the specified area, the people who can actually get superfast broadband will not be the same as those included in the headline figure.

Ms Margaret Ritchie (South Down) (SDLP): I congratulate the right hon. Gentleman on securing the debate. Only last week I received a response from BT in relation to the superfast extension programme. It informs me that

“even when improvement work is complete, there is no guarantee that everyone will access faster broadband”

speeds in rural areas. Has the right hon. Gentleman any comment to make about that?

Mr Carmichael: I could make many comments about that sort of thing, but I fear that you would rule me out of order, Mr Brady. It does, however, illustrate the frustration that many people in rural communities feel, and it is becoming more acute. The evidence is growing that the disparity between the densely populated urban areas and rural areas is becoming ever wider.

Mrs Sheryll Murray (South East Cornwall) (Con)
rose—

Mr Carmichael: If I can just make a second or two of progress, I will take as many interventions as I can later.

The problem is acute for people in rural areas and it is particularly serious for people in island areas—it strikes at the heart of everything that we seek to do in maintaining island populations. A critical mass of population is essential to maintaining the economy and the social viability of any island community. In a rural area that is close to an urban area, if someone loses their job or their business goes into administration or receivership, they can move or they can drive for another half-hour or hour to get another job. However, if someone in an island community loses their job and another one is not available locally, they leave the island, which means that another salary is taken out of the local economy, another school has a smaller roll and fewer people are using the local post offices—the list goes on. That is why connectivity is essential for us.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP) *rose—*

Mrs Murray *rose—*

Mr Carmichael: I suspect that I am going to get willing agreement first from the hon. Gentleman and then the hon. Lady.

Mr MacNeil: The right hon. Gentleman is correct—it is willing agreement—but it does not have to be like this. To his west and my north-west, everyone in the Faroe Islands is connected with at least 2 megabits. In fact, that was the situation three or four years ago and speeds are probably faster now. Everyone has 4G phone and there are undersea tunnels with a 4G signal. We cannot go between Gatwick airport and London and get a phone signal going through the tunnels. His point about population is absolutely right. The Faroese population will hit 50,000 for the first time in history this month or next.

Mr Carmichael: The hon. Gentleman and I both know the Faroe Islands quite well and we both know that they have been able to achieve the things that our island communities have struggled to achieve because they start from the presumption of a service that is provided for the people on the islands first. It is not something that is driven from, as it is for his community and mine, people in Edinburgh or even Inverness, which is frankly not an awful lot better. It is community and island-centric provision. That is what matters.

Mrs Sheryll Murray: Does the right hon. Gentleman agree that the problem exists not just at the end of the country where his constituency is, but in Cornwall? I cannot attribute this to my right hon. Friend the Minister. Superfast Cornwall, which is a partnership between the EU, the Liberal Democrat-led Cornwall Council and BT, is failing to roll out broadband in a satisfactory way for a lot of my constituents. Does the right hon. Gentleman agree that there is a problem there as well?

Mr Carmichael: The hon. Lady has the advantage of me. I was mildly and pleasantly surprised to hear that we still have a controlling interest in Cornwall. I am sure that my colleagues there are doing their best in very difficult circumstances. I am sure equally, from the tone

of her intervention, that the hon. Lady will be doing everything she can, in a non-partisan way, to work with them.

Let me make progress for a minute or two. Ofcom's "Connected Nations" report in December 2016 gave us a good snapshot of the overall picture. Average download speeds across the UK as a whole are now running at 37 megabits per second. However, 5% of premises, which is about 1.4 million, are unable to receive speeds faster than 10 megabits per second. Superfast broadband—that means speeds greater than 30 megabits per second—is now available in 89% of premises, which is more than 25 million, across the whole of the United Kingdom. However, those high-level, headline statistics actually illustrate the acuteness of the divide—the growing divide—between urban and rural communities. In Scotland, 43.9% of people living in large urban areas, as opposed to 7.9% in remote urban areas, are able to receive speeds classed as superfast. Those unable to reach the 10-megabits-per-second threshold constitute 1.6% in large urban areas, as opposed to 54.3% in very rural areas. That is a good illustration of the gap between the digital haves and have-nots—the rural and the urban.

Deidre Brock (Edinburgh North and Leith) (SNP): First, I must make it clear that I fully support the roll-out of rural broadband. It is crucial for the highlands, the islands and, indeed, the borders of Scotland—if I did not say that, my mother-in-law in the highlands would kill me. The right hon. Gentleman might not be aware that many households and businesses in urban areas, and particularly in areas of commercial deployment, are also being missed and left with very slow speeds.

Mr Carmichael: The position will never be uniform across any community but—I think that this distinction is material—there is a range of opportunities available in urban areas that are simply not available to those of us in more rural areas. It is invidious to play one side off against the other—in making the comparison between urban and rural, I am merely highlighting the difference and not trying to set one community against another.

James Heapey (Wells) (Con): Does the right hon. Gentleman share my view that it must be just a coincidence that, in many of the areas selected for commercial roll-out, which the hon. Member for Edinburgh North and Leith (Deidre Brock) talks about, BT seems not to have connected with fibre some of the small business parks and light industrial estates? I am sure he will agree that there is no way that that can be because BT is trying to make some money out of leased fibre lines to those premises.

Mr Carmichael: I do not want to turn this into a whinge-fest about British Telecom, because that is just too easy. Our role in this debate is to look at a more strategic picture. The fact is that where there is provision, business and economic development follow. That is why it needs strategic, political and regulatory intervention. It is in all our interests that we maintain the widest possible spread of economic development. If the political will and regulatory effort is put into getting the roll-out, we will find that the economic opportunities follow.

The final illustration I have on the difference between rural and urban broadband is that I asked my staff to run broadband speed tests on their own machines. I asked my caseworker in Shetland to run the broadband

speed checker first of all. On broadband.co.uk, she recorded a 0.3 megabits download speed. My researcher based in the House of Commons, who has an address in Surrey, did the same test and came up with 184.12 megabits per second. If that is not a digital divide, I really do not know what is.

Alex Chalk (Cheltenham) (Con): Is it not right to note—as the hon. Member for Edinburgh North and Leith (Deidre Brock) did—that there can be premises in an urban area sitting cheek by jowl with others where there are enormous disparities? Does the right hon. Gentleman also recognise, and share my intense frustration, that millions of pounds of public money is sitting in bank accounts ready to hook up homes and premises, but all too often excessive caution, or the terror of being found in breach of state aid rules, prevents that money from being spent?

Mr Carmichael: I confess that of the many difficulties I have encountered in the years I have been dealing with this issue as a Member of Parliament, that is one I have not come across. However, what the hon. Gentleman describes would frustrate us all. The difficulty is that this problem is now beginning to undermine Government policy across the board. The Government as a whole have an interest in the Minister's Department taking a lead in driving it out.

We are forever encouraging our farmers to diversify, saying that they should be setting up holiday accommodation and finding different ways to bring people into the countryside and add value to their product. Bluntly, however, that requires good connectivity—without that it will not happen.

I recently had contact with a postmistress in Shetland who tells me that her business as a postmistress is now being adversely affected by the intermittent service and extremely slow broadband speeds that she has to deal with. She says customers at the post office are being seriously affected by long waits because of the internet cutting out. As well as the difficulties that slow broadband speed causes her personally, it is considerably affecting her ability to provide a reliable post office service to that community in Shetland. There is a broad measure of political consensus in the House on the provision of post office services, but again, in the areas where it is most challenging it is being undermined by poor connectivity.

I will offer another couple of examples of how this problem affects my constituents. I recently had contact with one constituent in North Roe, right at the north of Shetland, who told me that in one week he had missed out on approximately £800 of potential grant funding for marine equipment as he was unable to open emails and download attachments. He says that he cannot submit fisheries or crofting forms online and that after 5.30 pm he need not even bother trying the internet, such is the quality of service he gets. The best example I got was also from a resident of North Roe, who told me that he tried to load the BT speed tester on his machine but did not have sufficient connectivity to load the page for the test.

The most interesting example came just this week in a piece of correspondence from a constituent in Westray. For the benefit of younger or newer Members in the

House, that was a letter, which is what we used to get from constituents. He tells me:

"Access to broadband is not a luxury these days. We do banking and shopping and book flights to the Scottish mainland on the internet, and we communicate by email. Information that used to be on paper is on webpages now. I wrote to Ofcom about BT's service and their reply referred me to web pages where I could learn about how to escalate my complaint and seek compensation".

To load those pages, however, he would be required to go to the library in Kirkwall, which is a nine-hour round trip from his home in Pierowall in Westray.

The difficulty is that broadband roll-out, whether south of the border in England and Wales, or in Scotland through the Scottish Government—in partnership with Highlands and Islands Enterprise and BT in my area—is driven by targets. Indeed, the targets themselves may often be misleading. The next generation of roll-out, however, is not just going to be confined to broadband. For us the opportunities come from the availability of 4G and 5G—whenever that becomes a feature of our daily lives.

The Minister should perhaps be talking to his colleagues in the Home Office about the roll-out of the emergency services network. The contract has been given to EE, and that is going to give it an obvious advantage in having control of infrastructure across the whole country. The opportunity is there for much improved 4G coverage through EE. I give EE credit for the way in which it has engaged with communities, certainly in my constituency, but I hear increasing complaint about its willingness to engage with other mobile companies. It tells me that it does not know what features are going to be found in the design of this roll-out, and that it does not know what the mast heights and positions are going to be. This generational opportunity to improve the service is an opportunity for Government Departments to work together instead of in their own individual silos, to ensure that when that provision is ultimately rolled out it brings the maximum benefit to communities across the whole of the United Kingdom and companies across the whole of industry.

Albert Owen (Ynys Môn) (Lab): The right hon. Gentleman is making a constructive point about the roll-out of mobile telecommunications. Are not the industrial strategy and the Digital Economy Bill an opportunity for the Government to look at this 5% of areas, which will predominantly be rural, that are not included in the target of 95% by 2017? A pilot scheme in the Shetland and Orkney Islands and Ynys Môn would be a great example for that going forward.

Mr Carmichael: Indeed; I can think of few areas that would be more suitable. I say that not entirely with my tongue in my cheek, because I suspect that anything that can be made to work in the constituencies and communities that the hon. Gentleman and I represent could be made to work anywhere else.

The understanding I want the Minister to take from today's debate is that the days of centrally driven, top-down roll-outs are over. They have achieved a significant amount in getting targets met and getting out to the low-hanging fruit, as it were. However, for that remaining 5% of areas there will have to be a different approach altogether.

James Heapey: I am grateful to the right hon. Gentleman for giving way again—he is being very generous with his time. I absolutely agree with him on that point. Devon and Somerset are the last areas to get their phase 2 contract awarded, but once that phase 2 contract is awarded and the premises within the 91st to 95th percentiles are known, why would we wait to deliver the universal service obligation sequentially? If we know what the final 5% is, let us get on with delivering the USO concurrently and employing whatever technology suits rather than a central solution from above.

Mr Carmichael: I think that will be the answer to filling the last 5%, but there will not be a single solution. I am frustrated by the way in which the fibre roll-out is now holding some things up. We know that the last 5%—or whatever it will be—in Scotland will be delivered by Community Broadband Scotland, which can only come in when we know what is left. However, those responsible for the fibre roll-out wanting to sweat the asset, effectively, is leaving communities waiting at the end of the queue.

Mr MacNeil: Does the right hon. Gentleman find the ad hoc nature of much of this strange? I happened to come across some people from EE once who said, “If only we could get the Northern Lighthouse Board sites, that would help,” so I wrote to the Northern Lighthouse Board, which said, “Yes, no problem at all.” However, nobody is co-ordinating things centrally. It is similar with Vodafone and EE at the moment—opportunities are constantly being missed. Sometimes a bit of central thinking is needed, and I do not think that has been happening at all; it is far too ad hoc.

Mr Carmichael: That is a good illustration, though I will not, on the one hand, make a plea for decentralised thinking and then on the other berate Ministers for not taking control of everything. There is a strategic role for Ministers at the centre, but those who are charged with broadband delivery in the hon. Gentleman’s area and mine—Highlands and Islands Enterprise, for example—need to be much more focused on community engagement and taking communities along with them than they have been hitherto. That will be absolutely essential when it comes to finishing the last 5%, or whatever the margin will be.

For some years now I have organised a series of digital forums in Shetland and Orkney. The last one we took out to Skeld in west Shetland—one of the most poorly served mainland Shetland communities for broadband coverage and mobile phone connectivity. During the forum I got an explanation of the inadequacies of the roll-out that, frankly, I do not ever expect to be able to improve on. A constituent who had worked for 30 years in the NHS said she suspected that if the NHS had left all the difficult cases till last in those 30 years, most of the difficult cases would have died. Right hon. and hon. Members can probably join the dots on the analogy being drawn. It is one that the Minister would do well to listen to.

Several hon. Members *rose*—

Mr Graham Brady (in the Chair): Order. Seven Members have risen to speak and we have less than 40 minutes before the wind-ups are due to begin, so I propose a time limit of six minutes on contributions.

2.53 pm

Mrs Sheryll Murray (South East Cornwall) (Con): I welcome the opportunity to contribute to this debate, Mr Brady. As a former parliamentary private secretary to the Minister’s predecessor, my right hon. Friend the Member for Wantage (Mr Vaizey), I have an active interest in this issue, both from a policy and constituency perspective. Active, fast, reliable, affordable broadband is vital for families, communities, businesses and public services across my rural constituency. In South East Cornwall and across the UK, superfast broadband is now as essential a utility as water and energy. Indeed, I consider it to be the fourth utility.

Our economy, whether urban or rural, is now increasingly dependent on high-quality broadband. I welcome the Government’s commitment to introducing a broadband universal service and the good progress that has been made locally under the superfast project, but it is not good enough. We must strive for 100% connectivity, particularly in isolated rural areas where good internet access is the lifeblood of successful local economies and thriving communities.

I, like many other hon. Members, continue to receive numerous complaints from constituents about poor broadband availability. Unfortunately, many of my constituents do not understand that Superfast Cornwall and, as I alluded to earlier, a partnership between the Lib Dem-led Cornwall Council, the EU and BT are responsible for delivering broadband in my constituency. I will highlight several cases in South East Cornwall that demonstrate the urgent need to provide universal access to superfast broadband.

Albert Owen: On a point of clarification, what is the EU’s role? When it works with the Welsh Government all it does is provide funds.

Mrs Murray: There was a partnership between the European Union, Cornwall Council and BT. Cornwall was one of the first areas in the country to roll out broadband before the Government undertook their programme, and it was leading on this at one time. Unfortunately, however, the service now being provided to little villages is absolutely dire; they cannot even get a broadband speed of 2 megabits per second.

Cornwall and tourism go together like jam, scones and clotted cream. However, superfast broadband and good internet access is a vital ingredient for running a successful holiday business and retaining and attracting clients. I know at least one small holiday letting business that cannot secure bookings or market effectively due to poor connectivity. That is unacceptable.

Another example of the negative impact of failing communications infrastructure was highlighted to me last week by a local business that is based in Liskeard, although the owners live near the village of Duloe. They are in a notorious broadband notspot and their company operates 24/7 using robotic technology. If the owners had a decent broadband connection, they would be able to look remotely to make sure that the machines are running. Instead, they have to undertake a round trip of an hour and a half to check the machines over the weekend, which is a waste of money and time. The impact on productivity and on the company’s balance sheet should not be underestimated.

Finally, the affordability of high-quality broadband must be addressed. Although I acknowledge that the UK has one of the most competitive communications markets in the world, the cost of business broadband remains too high. An established scrap metal business in my constituency suffers from poor connectivity, meaning that the legally required reporting of vehicles to the Driver and Vehicle Licensing Agency online is virtually impossible. The firm was offered an expensive corporate ethernet solution by BT and Superfast Cornwall. Surely more affordable consumer-style alternatives should be available for small businesses, which work on very tight financial margins. I ask the Minister to consider that carefully and please, please look at how we can ensure that Superfast Cornwall is improving the situation in South East Cornwall and addressing the real notspots.

2.59 pm

Albert Owen (Ynys Môn) (Lab): It is a pleasure, as always, to serve under your chairmanship, Mr Brady, and to follow the hon. Member for South East Cornwall (Mrs Murray). I congratulate the right hon. Member for Orkney and Shetland (Mr Carmichael) on how he set out the concerns that many rural communities have across the United Kingdom. There are notspots in urban areas but, as somebody who lives in an urban area during my working week but who goes home to a periphery area, I notice the difference. I can use 4G very comfortably in my London flat but it is difficult to get it in rural areas.

Alex Chalk: It comes down to where people are. If they are in a bad area, whether in an urban or rural part of the country, the fact is that they do not have broadband. That is really what matters, not whether they are in a rural or an urban area. It affects people just the same.

Albert Owen: I am grateful for that intervention, but I was on the hon. Gentleman's side when I said that there are notspots in urban areas. However, people there have alternatives. In rural and periphery areas, people rely totally on the roll-out scheme, which has reached 75% in my area. Like the right hon. Member for Orkney and Shetland, I hold regular broadband hubs with communities across my island constituency. We are looking for solutions. We know the problems and issues. On the last occasion, I got the CEO of BT Openreach there to come with his team. He went with the engineers to check the difficult terrains and gave a commitment that there would be 95% coverage by the end of the year.

I have asked the Minister these questions a number of times. Given the Digital Economy Bill and the talk of a universal service obligation by 2020, who will deliver that extra 5%? We in the House of Commons need to join to work together for the 5% club—those not covered by the 95% roll-out, whether in Scotland, Cornwall and other parts of England, Northern Ireland or Wales.

Mrs Sheryll Murray: The hon. Gentleman might like to know that the roll-out in my constituency is just over 80% at the moment.

Albert Owen: The hon. Lady is contradicting herself. She was saying how poor it was earlier. She is almost leading the way with the Liberal council and the European Union. The Welsh Government work in partnership

with the European Union, which specifies certain criteria, including the number of households, which work against some rural communities. However, the Welsh Government have their own policies for those rural communities.

My point is that we need to work together and take a strategic approach. I support the Digital Economy Bill, and I believe that this is a golden opportunity for the Government to work towards helping the last 5% to get broadband at a decent level that can then be improved in future.

James Heapey: The point that the hon. Gentleman is making is exactly right. We are talking about the roll-out of superfast broadband, but before the Government race off and start delivering ultrafast, let us make it a priority to ensure that a minimum service of at least 10 megabits per second is available everywhere. We can start doing that now, rather than waiting until the end of the second phase of the Broadband Delivery UK roll-out.

Albert Owen: That is absolutely right. The hon. Gentleman has now reinforced that point, and I agree totally. This is the second debate on the trot in which we have agreed. I want the Minister to know that there is no partisanship. I give the Welsh Government the same concerns that I give the UK Government, because we need to work together. I am not knocking BT Openreach either, because I have been out with their staff and seen some of the engineering difficulties they have to deal with.

The people suffering in the 5% are often not on the gas mains and pay more for their fuel. They pay exactly the same price for their broadband and mobile communications as people in inner cities, and they deserve Governments'—plural—time and effort on their behalf. That is the plea I make to the Minister, who is checking my constituency ratings as we speak. If they are high, I will take credit; if they are low, I will blame others. The 5% need to be considered as a priority. The Government and the Prime Minister have talked about an industrial strategy. Broadband should be part of it. We should be talking about giving businesses across the United Kingdom 21st-century communications to allow them to compete on a level playing field with those in other parts of the country.

I did not intend to speak because I thought that this debate would be over-subscribed. I have pushed my luck in coming here and speaking, but I speak for different parts of the United Kingdom, which are coming together to join me in the 5% club so that we can deliver 100% broadband coverage and better mobile telecommunications across the United Kingdom.

3.4 pm

Antoinette Sandbach (Eddisbury) (Con): It is a pleasure to serve under your chairmanship, Mr Brady. I congratulate the right hon. Member for Orkney and Shetland (Mr Carmichael) on securing the debate.

The Minister will well know the problems in my constituency. He will know that if he drives across my constituency, he will struggle to get a 3G signal, let alone 4G. Most of my constituency is covered by 2G signal, despite the fact that its inhabitants are relatively affluent and that many run their own small businesses. We are,

[Antoinette Sandbach]

or would be, a thriving rural community, but sadly we are poorly served by our broadband connection. In Eddisbury, not 5% but a far greater percentage are missing out. I will highlight an example. One of my constituents is trying to set up a new business in a rural area: a pub, which will also be an invaluable community hub. I have a lot of thriving public houses in my area. I will not list them, but I encourage hon. Members to come visit.

My constituent wants to encourage and support other small businesses nearby, but he has no sufficient broadband connection. He is considering getting an uncontended leased line to guarantee that he can reach speeds of at least 20 megabits per second. He has been quoted £9,120 per annum for the line and an initial £13,000 in start-up costs. That is not untypical in my constituency. It highlights the problems that rural businesses face.

Another business has a multimillion turnover, but it had to move out of its small business park—my hon. Friend the Member for Wells (James Heapey) mentioned the small rural business parks not connected by BT—and over the border into Wales to the Wrexham industrial estate in order to access the broadband speeds that it needs. That is not acceptable for the rural communities in my area, which struggle to grow their businesses. It is perhaps typical of what is happening in Eddisbury.

The map helpfully provided by the House of Commons Library indicates that vast tracts of my constituency receive less than 28 megabits per second. Although the Minister's figures indicate that superfast roll-out is at 78%, I argue that, in reality, signal is simply not being delivered to people at the end of a copper line 2.5 miles from the exchange. That is the problem. BT says to those people, "You can have a community fibre partnership and link up your home." That is fine for those who have a spare thousand pounds or two to top up, but sometimes it costs £5,000 or more to connect a single premises.

Julian Sturdy (York Outer) (Con): My hon. Friend has hit on an important point that affects many of my constituents. Although we are getting fibre to the cabinet, there are lots of areas, especially in rural communities, that are well over 2 km from the cabinet on copper, which means that they lose the superfast broadband speed. Although they are technically connected to a cabinet with fibre, they are not getting superfast broadband.

Antoinette Sandbach: That is certainly the experience of my constituents. They find it deeply frustrating and are at a loss for what they can do. It is important that those communities and premises are addressed before we start megafast roll-out elsewhere in the country.

I welcome the fact that there will be a universal service obligation of 10 megabits per second. I ask the Minister not to let the telecoms companies wriggle out of that obligation. Often, in order to deliver that speed in rural communities, they may well need to lay more fibre. The universal service obligation seems absolutely critical to the last 5% or, in the case of my constituency, to the last 22% or more.

I urge the Minister to look at how he can strengthen and support the universal service obligation, and I encourage constituents to download the Actual Experience software, which sends data about the appalling connections

directly to Ofcom. The more information we get in real time, the more the lack of service delivered from the roll-out will be clear to the Minister. I therefore encourage him to take action to strengthen the USO and to put what pressure he can on connecting Cheshire and rolling out to the remaining premises in Eddisbury.

3.10 pm

Patricia Gibson (North Ayrshire and Arran) (SNP): It is a pleasure to serve under your chairmanship, Mr Brady. I am delighted to speak in this important debate and I extend my thanks to the right hon. Member for Orkney and Shetland (Mr Carmichael) for securing it. This issue causes me and too many of my constituents too much frustration. Whole swathes of my constituency are excluded from the so-called digital revolution. Superfast broadband remains a pipedream. It is something we hear about and may even dream of, but we have yet to partake of its delights.

The situation has been improving across Scotland, not least due to the concerted and determined efforts of the Scottish Government. Statistics that say that 83%—modest as that is—of Scotland has superfast broadband mean nothing to those who do not have that luxury. It is certainly viewed as a luxury by those living in more remote areas. Indeed, if someone lives in a remote area, such statistics make their own lack of access to superfast broadband all the worse, as though they and their community's challenges are being mocked by the progress elsewhere.

It is true that 83% of Scotland does now have access to superfast broadband, but Scotland is being left behind, as the figure for the UK is 89%. This gap is narrowing, but make no mistake: there is an unmistakable and identifiable gap. In my own constituency of North Ayrshire and Arran, the Scottish Government's commitment to 100% superfast broadband coverage by 2021 is welcomed, and rural Scotland is impatient for it.

There was a great missed opportunity when the UK Government rejected Scottish National party amendments to the Digital Economy Bill that would have required the Secretary of State to introduce a broadband voucher scheme to allow an end user to access broadband, other than that supplied by the provider of the universal service order under part 2 of the Communications Act 2003. A consultation by the UK Government has been announced, which I welcome wholeheartedly, but our proposals would provide a replacement for the previous UK Government broadband connection voucher scheme, which ran from 2013 to 2015 and encouraged small and medium-sized businesses to take up superfast broadband, helping more than 40,000 such enterprises.

Our businesses in rural areas rely on good, reliable broadband connections, and there is still much to be done. We have made progress, but, as many of my constituents would testify, we are not there yet. Digital connectivity is an integral part of economic development. For a modern, thriving, successful economic future, we need first-class digital infrastructure. Superfast broadband is about growing our economy and economic opportunities. It is about connecting people, about social inclusion, about empowering our young people and the next generation. First-class digital infrastructure is required to keep all parts of our economy competitive and thriving in a global market. That must include our rural areas.

I am tempted at this juncture to speak about mobile signals, but time forbids me. Suffice it to say that on the island of Arran there are huge notspots, which is simply not good enough.

I want to turn for a moment to what I believe is the UK Government's lack of foresight in this matter. Rural mobile connectivity is suffering and struggling because successive UK Westminster Governments have seen the licensing of mobile spectrum as a cash cow rather than as critical infrastructure and something that is absolutely essential for our communities and our whole country. It seems that the only criteria that were considered when the 3G and 4G spectrum was auctioned were raising large sums of money.

Mr Edward Vaizey (Wantage) (Con): Will the hon. Lady give way?

Patricia Gibson: I will finish my point and then take the right hon. Gentleman's intervention.

It seems that little consideration was given to how great the coverage could and should be. How is it that the German Government required 98% coverage, but the UK settled for 95%? Greater funds were traded for lesser coverage, and that has had the effect that whole swathes of the country and my constituency are missing out. It is simply not good enough.

Mr Vaizey: It is a simple matter of fact that the Ofcom auction was conducted on the basis that it would not be based on how much money could be raised. It was solely based on conducting the most efficient auction. Raising money was specifically excluded.

Patricia Gibson: Perhaps the right hon. Gentleman will explain, if he gets an opportunity to speak later, why the German Government succeeded, whereas the UK Government appeared to fail.

Scots have access to a 4G signal only 50.4% of the time, suffering some of the lowest access to mobile data in general, and as of December 2015 nearly half of Scotland's land mass had no data coverage whatever, compared with only 13% of the UK as a whole. That is simply not on, and I am keen to hear what the Minister thinks of those statistics. I want to hear what reassurances the Minister can give to my constituents in North Ayrshire and Arran, who are so poorly served in this so-called digital revolution. What reassurances can he give to all the people across Scotland who are so poorly served that it affects their ability to connect with people, their ability to study and their ability to run their businesses as effectively and completely as they would like?

Scotland lives and competes in a global environment, and all parts of Scotland need to be part of the digital revolution to compete properly. I look forward to hearing what the Minister will say today to my constituents to show that he understands that.

3.16 pm

Jim Shannon (Strangford) (DUP): It is a pleasure to speak in this debate, Mr Brady. I thank the right hon. Member for Orkney and Shetland (Mr Carmichael) for setting the scene so well. I have a great deal of interest in this issue. As the figures and the stats will show, in my constituency of Strangford we lag behind on accessibility. To someone of my generation, a megabyte would have

meant a really large bite of some kind of food. That was certainly the perception. I never dreamed of the day when it would be a part of everyday speech. More than that, I never dreamed that it could play a real part in the ability of a business to compete and thrive. This is the case, however. We live in an age when online provision is almost considered a human right and our businesses do not have a chance without it. For that reason, in December last year I tabled a written question:

"To ask the Secretary of State for Culture, Media and Sport, what assessment she has made of the level of investment required to bring broadband access in rural communities in (a) the UK and (b) Northern Ireland up to the average level in all communities."

The answer was simple and also stark:

"95% of UK premises are expected to be covered by superfast broadband by December 2017. The 95% figure is a UK average and individual areas, including rural parts of Northern Ireland and other areas of the UK, will have different coverage levels."

We are one of those.

"All premises which do not have a speed of at least 10Mbps will be able to request an upgrade to at least this speed under the Universal Service Obligation."

The Minister told us that.

"Furthermore providers and local bodies will also be able to access funding for full fibre connectivity as announced at the Autumn Statement 2016, once those proposals have been finalised in early 2017."

That gave me lots of information, but unfortunately it did not give me the information that I needed. That is what has been done to provide support to rural communities. What co-operation is taking place with the devolved Minister in the Northern Ireland Assembly to see better connection for all of Northern Ireland, but most especially the rural communities?

Ms Ritchie: I thank the hon. Member for Strangford, my constituency neighbour, for his contribution and for giving way. Does he agree that the previous voucher scheme brought much benefit to our constituents, particularly those who live in higher altitudes, and particularly businesses? Does he think that the reintroduction of a voucher scheme would provide a necessary financial incentive to people who try to conduct business in rural communities?

Jim Shannon: I thank the hon. Lady for her intervention. I agree with her point, which she made very well. Perhaps the Minister will respond to that in a positive fashion. I am going to ask for such things as well.

For us in Northern Ireland the issue is clear. I understand that the Northern Ireland project has been allocated more than £11.5 million of Government funding for phases 1 and 2 of the superfast broadband programme.

Tom Elliott (Fermanagh and South Tyrone) (UUP): Just before the hon. Gentleman gets on to the Northern Ireland context, I want to nail the issue of notspots in urban areas. He mentioned the figure of 95% for overall superfast coverage by the end of 2017. Superfast coverage for rural areas is 59%, which shows the difference between urban and rural.

Jim Shannon: The Minister clearly said 95%, and the hon. Gentleman has pointed out that that falls to 59% in rural areas. In my area, the figure would be similar to that.

[*Jim Shannon*]

To relate things to my constituency, the BDUK scheme has made superfast broadband available to 1,871 more premises than previously, which must be good news. I welcome the progress. The average take-up of superfast broadband under the BDUK Northern Ireland project area is 27.3% and, more broadly, the total Government and commercially-funded superfast coverage in Strangford is 79.1%. I know that the Minister probably has all the figures written down; statistics are no doubt regularly handed to him. These points are all great soundbites, but the difficulty, for me, lies in the fact that the estimate from the available supplier data is that coverage will be around 84.5% by the end of December 2017. That is a massive distance away from the 95% expectation that the Minister has indicated. It translates to a 10% disparity in my rural community. Therefore, I again ask the Minister what can be done, and indeed what will be done to bridge the gap between target and reality in my constituency.

A member of my local council is not able to get broadband in his home. His neighbour three doors along can get it, but anyone living in the other direction is stuck in the dark ages. There is something wrong if that happens. Businesses in rural areas struggle to keep up with competition that can sell online, which is the rage these days. I received a standardised email from my constituents—I call it a round-robin; it is the sort of thing MPs get regularly—containing an interesting request that we will all have heard, to end the franchise of Openreach. That is one opinion that has been put forward, and perhaps consideration will be given to how best to go about it. I am sure the Minister will respond.

I do not know whether that is the answer. Perhaps the competition would be an encouragement to stretch further for customers. However, I do know that it is grossly unfair that my constituents are unable to gain the coverage that they deserve. Today I want simply and firmly to put the question back with the Minister—to bat the ball right to his feet: what is to be done for the rural communities of Strangford? What is being done to help schoolchildren access homework resources, and to enable businesses to stretch further and achieve more and parents to multi-task and shop online? All those things are part of day-to-day life—but not for too many of my constituents. That is why I ask for more to be done. When will that happen for Strangford, and the rest of Northern Ireland?

3.23 pm

Ronnie Cowan (Inverclyde) (SNP): It is a pleasure to serve under your chairmanship, Mr Brady. I thank the right hon. Member for Orkney and Shetland (Mr Carmichael) for securing today's debate. Although the content of my email inbox varies, the issue of broadband always remains one of the most important issues affecting my constituency. I am pleased to see that my hon. Friend the Member for North Ayrshire and Arran (Patricia Gibson) is here today. Our constituencies share a border and sometimes I feel that, as we are on the fringe of what is known as the central belt, people believe that the benefits of the big cities fall to us too; I assure the House that they do not. Like other Members, I am regularly contacted by constituents who are frustrated by slow internet speeds and the way in which broadband infrastructure is being implemented in their area.

As has been discussed in previous debates, constituents are frustrated because they do not consider broadband to be a luxury. It is seen as the fourth utility, essential for business, entertainment and education. If we accept that view, we must give constituents the same right to it as they have to gas, electricity and water. We would never consider telling our constituents, "We know that your water only comes on during certain parts of the day, but we hope to have full water supply rolled out to all properties by 2020." Constituents would not find that acceptable. Equally, we cannot expect them quietly to tolerate an inadequate fourth utility. I understand that there is no technological magic wand that we can wave over areas with poor connectivity. However, we need to ensure that all tiers of government, including local authorities, are provided with the necessary funding for roll-out to be undertaken as quickly as possible.

In some instances, companies have indicated that it is not commercially viable for them to build the infrastructure that would deliver superfast broadband to certain areas. In my own constituency, Wemyss Bay, Inverkip and Kilmacolm have been particularly affected by that commercial gap. By the way, Kilmacolm got piped clean water only in 1878. Some may be surprised to know that Inverclyde, just 40 minutes from Glasgow, is relevant to a debate on rural broadband. My constituency is, in fact, Scotland in microcosm. Most of the population lives on a relatively thin strip of land, where we have densely populated towns with large housing estates. That area is hemmed in by the coast and undeveloped hills. Surrounding the most populated areas we have farmland, which includes sheep and llama farms. We have sustainable forestry providing fuel for biomass heating, and rural villages, along with smallholdings and isolated farm houses. The sort of obstacles that inhibit full roll-out of superfast broadband all exist in Inverclyde, and include the river, hills, flooding and sparsely populated areas. However, Inverclyde's diverse geography, along with its limited size, actually makes it an ideal location for pilot schemes or for testing more effective ways in which to roll out superfast broadband; so I urge broadband providers to come to Inverclyde and prove how good they are. Ultimately, if we cannot meet the challenges of getting superfast broadband to Kilmacolm or Inverkip, those of providing an equivalent service in Argyll or Sutherland will be insurmountable.

What other potential solutions are there, and, more importantly, are they economically viable? Virgin Media's Project Lightning includes the village of Kilmacolm, and I am looking forward to seeing how well that progresses. Recently Vodafone, in conjunction with Telefonica UK Limited, announced that a new base station is planned in the Wemyss Bay area. I am hoping that that is a step towards providing 21st century coverage to the surrounding area. Satellite solutions undoubtedly have their place, and I have recently brought the National Farmers Union of Scotland together with satellite solution providers.

Inverclyde is much like many other constituencies. We have many suppliers, not necessarily working together, fighting for the most profitable section of the market, while the more rural areas are neglected. When the day comes that Inverclyde has 99.9% coverage, I shall be knocking at the Minister's door and speaking up for the 0.1%: no household left behind. We have a fragmented approach when we need a joined-up solution. MPs are grappling with the technology and trying to find bespoke

solutions for their constituency, when the UK Government, instead of abdicating responsibility, should be overseeing the roll-out, defining best practice and funding the less commercial areas.

3.27 pm

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): I congratulate the right hon. Member for Orkney and Shetland (Mr Carmichael) on obtaining the debate. The constituency he represents and the Outer Hebrides are partner islands, so to speak. It is time that the UK upped its game because island groups are showing the way. Unfortunately, it is not the Hebrides, nor is it Orkney and Shetland, unfortunately for him; it is the Faroe Islands. During the debate, I could confidently text the Faroe Islands and get a response. Regardless of what someone is doing there—fishing, looking after sheep or, more likely, working in the office on a high-tech job—they will be able to respond.

I heard with wonder the remarks about urban notspots from the hon. Members for Eddisbury (Antoinette Sandbach) and for Wells (James Heapey). The idea seems to be unknown in the Faroe Islands. All of Tórshavn gets 100 megabits broadband. That is equivalent to Lerwick, Kirkwall or Stornoway getting 100 megabits—smaller towns are also getting that. In the Faroe Islands, 20 megabits is normal and 5 megabits is a minimum. A few minutes ago, I asked two diplomats in the Faroes whether any houses there are without broadband. Apparently 100% of houses have it. That is all the more remarkable given the islands' size and topography. I asked them whether they ever auction spectrum. They never do. They decided to spend that money on investment in the ground.

Jan Ziskasen, the head of Føroya Tele, came to London with me to the Department for Culture, Media and Sport and basically offered 4G coverage for the two island groups. He is ready to do it with the flick of a pen—he has already scoped it—but it has still not happened. The Faroese are ready to come in and do what the UK has been unable to do for island groups. Interestingly, when he left the Faroe Islands, he noticed that his 4G speed was 210 megabits, but on the steps of the DCMS in Whitehall he was getting only 20 megabits. Once again, a small island group is shaming the UK. He also tells me that his undersea tunnels have strong 4G coverage. Perhaps he might even throw in connectivity on the Gatwick tunnels for the Londoners while he is fixing the problems that so clearly need to be fixed on the islands.

The island group has seen an improvement of 310% connectivity in the last year or so. On the face of it, that is tremendous, but we still find ourselves bottom of the league at 36% connectivity. When we start at such a low base, percentage increases seem impressive. As I said to the right hon. Member for Orkney and Shetland, we need centralised and strategic thinking, and not just ad hoc stuff, such as MPs who happen to be proactive writing to the Northern Lighthouse Board or making Vodafone and EE talk to each other. There is a huge role for the Government, but there is also a role further down. In the village of Ardmhòr, at the north end of Barra, one house that has a cabinet quite near was getting 50 megabits. Closer houses were told by BT that they would not get any connectivity at all. Luckily, the local engineer, Donald Campbell, came in and knew what to do to fix the problem, and it was fixed.

I wonder whether the leased fibre lines are part of the money-making scheme described by the hon. Member for Wells (James Heapey). In Ardvénish—the peninsula next to Ardmhòr and the industrial zone of Barra, my native island—there is no broadband at all. Barratlantic told me last week that BT has offered to provide it with broadband at the cost of £26,000 for a line. I hope BT will prove me and the hon. Gentleman wrong, and that that this is not a cynical scheme.

We have to realise that these are not technical problems. As my hon. Friend the Member for Inverclyde (Ronnie Cowan) pointed out, Kilmacoll had water connectivity in the 1880s. If the Faroese have broadband and mobile phone connectivity, it could happen now for us if the will were there. The Faroese are certainly willing to come into the most difficult areas in the UK—our island groups—and do it. They are talking about speeds of 20 megabits. In this Chamber at the moment there is only 15.5 megabits. The UK should be ashamed of what is happening. The 4G speed down here is 27 megabits.

A lot can be done, but where is the will and where is the way? Politicians surely have to take the lead. The strategic thinking that should have happened needs to happen at a Government level. We also need to start thinking about who knows best on the ground. Hopefully, by the end of this, if we listen to the Faroe Islands and follow what they are doing, I will be able to Skype the hon. Member for South East Cornwall (Mrs Murray). We could have scones. By the end of the afternoon we could be getting on very well without having to spend the cost in carbon of meeting each other in London on a weekly basis.

I did not mean to go on for so long. I might have to leave before the end of the debate, because I have a constituent who wants to talk about broadband this afternoon and I am half an hour late for my meeting.

3.33 pm

Calum Kerr (Berwickshire, Roxburgh and Selkirk) (SNP): I am not sure whether these broadband debates are cathartic. There is certainly an unleashing of frustration from every MP, but for a number of reasons I am always more frustrated by the end than I was at the start.

I congratulate the right hon. Member for Orkney and Shetland (Mr Carmichael) on securing this debate. Such debates are challenging to sit through because we do not focus enough on the reality of the problem and the challenges of fixing it, but every time we discuss it is beneficial. It is undoubtedly one of the biggest issues for our constituencies.

We should level-set where we are at. Our frustration about lack of coverage stems from the understandable pragmatism behind the Broadband Delivery UK contracts, which stretched the money as far as possible, and from the target to reach 95% of premises, which leaves people behind. We should have foreseen that earlier and made attempts to fill the gap. We all get frustrated with BT, but a lot of the time unjustifiably so, because it will deliver on its overarching contracts.

I should like to focus on some of the specifics of what the Government are doing and the questions that remain outstanding. We know the strategy is the BDUK scheme and then the universal service obligation. I will address the USO and fibre investment and quickly touch on rates and vouchers.

[Calum Kerr]

The USO is meant to be the catch-all to fill the gap for the 5%, but one thing that has not been discussed today is the fact that Ofcom's last report in December put forward three scenarios to the Government, to which, to my knowledge, we have yet to hear an official response—the Minister will correct me if I am wrong. Scenario one said that the USO would be 10 megabits simple downloads; scenario two was for 10 megabits, but with more latency specifications and an upload speed of 1 megabit; and scenario three was a 30 megabits download speed. The regulator is at pains to point out that a decision rests with the Government. There are political decisions to be made about the infrastructure that we want.

Mr MacNeil: Does my hon. Friend share my frustration about not knowing who to blame? Just when we think we have got our finger on it, and we go to the Government, they blame Ofcom. When we run to Ofcom, it blames the Government or the companies. There is a Bermuda triangle of blame and we just cannot get all three corners together.

Calum Kerr: In a future debate, we should address the fact that there is too much outsourcing of policy decisions to Ofcom. A lot of these decisions are political. I sometimes joke with my hon. Friend that he is the MP for the Faroe Islands, but the reality is that the Faroe Islands have that coverage because they took a political decision. They wanted that level of coverage and they took the policy decisions to deliver it. We could do the same, but we do not. We tend to pragmatism and say, "It's going to cost a lot of money. How important is it? We'll ask Ofcom and then shape the answer. Ofcom suggested this and recommended that."

Simon Hart (Carmarthen West and South Pembrokeshire) (Con): The hon. Gentleman makes 10 megabits sound like a dream that we aspire to, but given the rapid change in usage, will we be back here in five years having an argument about it? The Government will have fulfilled their obligations and ticked the box but will not actually have cured any of the problems we face.

Calum Kerr: That is an excellent point.

Let me explain why 10 megabits would be the wrong decision. Ofcom states:

"In designing any intervention, Government may want to consider the extent it should be designed to take into account further future growth in broadband usage. Doing so could help to ensure that consumers and business that rely on the USO are not left behind...Such an approach could support both better value for money by intervening once, and ensure that there is not a continual state of review, advice and reinvestment as requirements grow over time."

If we go for 10 megabits now, we will be storing up more trouble for ourselves down the line. Let me jump ahead to a point that backs that up. There has been a lot of discussion about who will deliver the USO and about the high probability that it will be given lock, stock and barrel to BT—I think we need to be careful about that. BT's response said:

"Existing technologies such as Fibre to the Cabinet and new technologies like long reach VDSL can offer cost-effective solutions for a 10M service but would require further investment if the requirement increased significantly, e.g. to 30M."

That is a big "but". If we specify a USO at 10 megabits, but what happens when we want to change it to 30 megabits? A USO does not entitle a user to free broadband. A telephony USO means that if someone does not have a telephony service, BT will provide it up to a cost of £3,400. We should imagine that in the broadband world. I do not have time to go into it today, but the detail of the Ofcom paper spells out different thresholds. Some hon. Members may think that the USO will fix everything for our constituents. It might mean that they are entitled to claim it, but it may give them a bill for thousands of pounds. What if it gives them a 10 megabits service? If they want 30 megabits in the future, they might have to pay for it again. We have to be so careful in how we implement this.

I am not going to address how much bandwidth we should use, but I will say that we need to raise our ambition. The Government need to put money into this, instead of trying to do it on the cheap. The right hon. Member for Orkney and Shetland should rest assured that the Scottish Government are committed, with R100, to 100% superfast, meaning 30 megabits. The Minister has great ambition around fibre, and the UK Government should step up and show the same ambition.

I am not sure how much time I have left, Mr Brady—

Mr Graham Brady (in the Chair): You have run out.

Calum Kerr: Okay. I have run out. I was not sure; my apologies.

Mr Edward Vaizey (Wantage) (Con): Sit down!

Calum Kerr: It is always a pleasure when the former Minister is here.

Let me make one final point, if I may. As we consider fibre deployment and the idea of vouchers, I will say that I am fully behind vouchers, but it is important that they do not lead to a trap whereby rural schemes such as Broadband 4 the Rural North, or B4RN, or the scheme on North Skye and in the Borders, are opened, so that any network can go on top, because it kills their business model. That must not happen. I know that is a big point of contention at the moment, so can we have vouchers and can we have them open? Let us ensure that the digital divide is closed and not cemented through bad policy.

3.40 pm

Louise Haigh (Sheffield, Heeley) (Lab): I, too, congratulate the right hon. Member for Orkney and Shetland (Mr Carmichael) on securing the debate and allowing us all to get these frustrations off our chest.

This debate is welcome, because the last time the House discussed broadband was prior to the publication of Ofcom's "Connected Nations" report, which has been referred to today and which offered a progress report on the Government's delayed roll-out of broadband. The debate has clearly indicated the continued frustration of hon. Members throughout the House, and I feel their frustration. The Ofcom report showed that Sheffield is the major city with the lowest superfast broadband coverage in the country. That is a useful reminder of a point that has been played out today—that although this problem predominantly affects rural areas and particularly island communities, as has been so passionately

expressed, it is also a truly national issue, encompassing all nations, regions, cities, towns and villages of the UK, and so requires a national strategy.

The “Connected Nations” report found that although Scotland performed worst in the UK and England best, the headline data masked internal variations that cut across the traditional boundaries of rural versus urban. Indeed, of the 3.5 million homes that cannot receive superfast speeds, 1.7 million of them are in urban areas. In total, 36% of rural Scotland is in the slowest of slow lanes, and 25% of rural England, while 400,000 small and medium-sized enterprises in town and country do not have access to superfast broadband, with 200,000 being unable to access even the basic speed of 10 megabits per second. Almost a quarter of a million UK premises cannot get even the pitiful download speed of 2 megabits per second, and more than 600,000 premises cannot get 5 megabits per second.

There is little secret that we are facing a slow-moving productivity crisis, and little wonder when 75% of our small businesses report that broadband is critical to their needs and yet nearly half of small businesses have complaints about internet service as it currently stands. Some 33% of the business parks that were designed to be a test bed for innovation productivity are still unable to access superfast broadband, as the hon. Member for Eddisbury (Antoinette Sandbach) set out. She also highlighted the important distinction between technical access and availability, and the take-up of broadband speeds in our communities. It is not yet clear to me that Broadband Delivery UK, whatever its future iteration with relation to the universal service obligation, will take those issues into account and properly measure them.

We are failing our businesses and, even more importantly, our potential businesses if we do not keep pace with them and provide the digital infrastructure that they require. Businesses rely increasingly on substantial download and upload speeds—although the USO does not take upload speeds into consideration—in order to store information on cloud systems and conduct multi-user calls while transferring and processing data, with multiple employees online all the time.

The sheer scale of data transferred over fixed-line broadband is detailed in “Connected Nations”, and it has grown as broadband speed has increased. The average monthly data consumed per household jumped by 36% over the past year to 132 gigabytes, and the total volume of data transferred was a staggering 2,750 petabytes. That all clearly adds up to a need that will become more and more stark by the end of the decade. With the need so obvious, it is surprising that Ministers continue to pursue the pitiful designation of 10 megabits per second by 2020.

I perfectly understand the frustration of the right hon. Member for Orkney and Shetland that 37% of his constituents still cannot access the bare minimum speed that Ofcom defines as being necessary for participation in a digital society. Moreover, the Government are offering his constituents that bare minimum only by 2020. Half the properties in Orkney and Shetland do not have access to superfast broadband, so as it stands it will be the same old story, repeated again and again: rural communities are an afterthought, and those with poor coverage are always playing catch-up, as technological advances require a faster and faster internet service.

As the hon. Member for Berwickshire, Roxburgh and Selkirk (Calum Kerr), the Scottish National party Front-Bench spokesman, said, Ofcom agrees with that. In its technical response to the USO, it said that “government may want to consider the extent it”—

Government intervention—

“should be designed to take into account further future growth”.

Ofcom made it clear that the Government would get better value for money by intervening once and ensuring that there is not a continual state of review, advice and reinvestment as requirements grow over time.

Mr Vaizey: For the past six years, it has been Labour party policy to provide 2 megabits per second to 100% of the UK. In the short period that she occupies her current post, does she know whether it is planned that Labour party policy will change?

Louise Haigh: I can inform the right hon. Gentleman that Labour’s policy did indeed change last year, and for the past seven years Labour has not been in power; that might have escaped his notice. The Government have had plenty of time to address this issue. It is quite clear that their current “wait and see” strategy is exactly the wrong choice to provide value for money and other benefits for our consumers. Broadband and data usage is only going one way.

When we last debated this issue in the House, the Minister argued that the relevant legislation provides for the USO to be revised upwards. However, following a series of parliamentary questions, it would appear that the entire basis for the claim that 10 megabits per second is sufficient to participate in a digital society is drawn from research conducted by Ofcom in 2013. In 2012, 31% of UK premises had no take-up of fixed broadband services at all and 10% of all UK premises had take-up of speeds of less than 2 megabits per second. In that context, 10 megabits per second would represent a quantum leap, but not any more.

We should also look at how quickly the designated minimum speed has changed in previous years. From 2010 to 2013, it jumped from 2 megabits per second to 10 megabits per second, as Ofcom and the Government recognised the expanding demand and need. It is therefore very likely that the Minister intends to introduce secondary legislation that is already outdated.

To truly future-proof the legislation on the USO and properly serve communities that have been stuck in the slow lane since the advent of the technological age, Ministers will have to be much more ambitious. If the roll-out began at the end of 2017, that would benefit 1.9 million residents and businesses. It would benefit residents in Lewisham, who still cannot access superfast broadband, and those in the East Riding of Yorkshire, which has the lowest superfast take-up in the country.

Ofcom itself has referred in its technical report to the “clear benefits” of a more highly specified USO of 30 megabits per second and a 10 megabits per second upload speed. It is time that the Government’s ambitions matched those of millions of consumers and small businesses. The UK simply cannot afford to stay at the back of the queue.

3.47 pm

The Minister for Digital and Culture (Matt Hancock): I thank the right hon. Member for Orkney and Shetland (Mr Carmichael) for securing the debate and for allowing

[*Matt Hancock*]

time both for many Members to set out their frustrations and for me to provide an update on progress. The roll-out that we have achieved so far, which is on track to reach 95% superfast coverage of UK premises by the end of this year, is in part a testament to the coalition Government of which he was such a critically important member.

Let me re-emphasise the Government's commitment to addressing the digital needs of all parts of the UK. That is clearly a very important goal, and a lot has been achieved. I do not think that anyone here today, even if they have expressed the frustrations of those who have poor broadband, would deny that we have come a long way. In fact, that was demonstrated in the contribution by the Labour Front-Bench spokesperson, the hon. Member for Sheffield, Heeley (Louise Haigh), who tied herself in knots while arguing that much has been done but much is left to do.

First, let me set out some of the figures. As I said, we are on track to reach 95% of the UK as a whole. Of course that figure is lower in rural areas, because of the nature of things. However, on the point about whether there is a distinction between rural and urban areas, let me say that as a matter of law there is such a distinction, because EU rules do not allow a subsidised broadband programme in urban areas. As a matter of fact, although there are still some patches of poor connectivity in urban areas, the picture is much better than in rural areas. It is understandable, therefore, that the mix of hon. Members here today is more rural than urban. Indeed, in Altrincham, 98.4% of people have access to superfast broadband, so you are probably the best off of the lot of us, Mr Brady—perhaps that is why you have said so little.

In Scotland, phase 1 of the Government's superfast broadband programme, including reinvestment of clawback funding and project savings, is worth more than £11 million, and more than 60% of homes and businesses in Orkney and Shetland now have superfast broadband available to them. The highlands and islands project as a whole will have reached a total of 130,000 premises by spring 2018, none of which will be covered by commercial roll-out. So it is thanks only to UK Government action that there has been any connectivity at all in Orkney and Shetland.

I understand the frustration of the right hon. Member for Orkney and Shetland that things have not gone more quickly in Scotland. It has been entertaining to hear some Scottish National party Members say that things should have gone more quickly and that some of the delivery has been fragmented, because delivery in Scotland is by the Scottish Government. It is a pity and a regret, and something we have been working hard to push on, that the Scottish Government have been behind the rest of the UK in their procurement. I hope that some of the frustration that has been vented by hon. Members representing Scottish seats is directed at those who are delivering the Scottish Government contract.

Perhaps the question to ask the Scottish Government is why they have not yet managed to procure phase 2 when most of England has, and when some parts of England and Wales are moving on to phase 3. That is not a partisan point, because I will come on to the hon. Member for Ynys Môn (Albert Owen). The Labour

Government in Wales have delivered effectively and, in fact, in Ynys Môn, where there is no commercial coverage at all, overall coverage is 80%. The Welsh Government have been much more on the front foot than the Scottish Government have in delivering for rural communities right across Wales.

Calum Kerr: It is amazing how the Minister can try to make a partisan point and claim it is non-partisan, but there we go. The Scottish Government scheme runs until the end of 2017. The Scottish Government have shown leadership with the R100 project, which is a commitment to give superfast to everyone—exactly what everyone here is asking for. Will the Minister commit to matching that ambition?

Matt Hancock: I do not want to point this out, but I have just commended the Labour Government in Wales for being further forward. I will come on to the universal service obligation, because more heat than light was produced by the hon. Gentleman's contribution. We went through this at length during the Digital Economy Bill's passage through the House, and in the end there was cross-party agreement regarding the universal service obligation, which will bring in 100% coverage by 2020—ahead, in fact, of the Scottish Government's proposed date of 2021.

Dr Daniel Poulter (Central Suffolk and North Ipswich) (Con): The Minister will be aware of some of the challenges we face in Suffolk in delivering high-speed broadband. I am sure that Members on both sides of the House can welcome the universal service obligation but, once it is in force, it must allow those who are not provided with access to broadband at the set minimum speed a simple means of seeking redress. I know that the Minister has spoken about this before, but might he make that point clear? I am sure that would help others here in their understanding of the USO.

Matt Hancock: Yes. Thanks to the support of my hon. Friend and near neighbour on the Digital Economy Bill, we are now bringing in automatic redress as part of that legislation. Perhaps more important than redress is the need to get the universal service obligation through and into force within the timeframe we have set out.

Albert Owen: I am grateful to the Minister for acknowledging the roll-out in Wales and other areas, but does he agree—this not a partisan point either—that take-up is low in much of the United Kingdom? What is he doing with the regulator to ensure greater take-up?

Matt Hancock: That is a really important point, especially in relation to Broadband Delivery UK areas that are supported by broadband subsidised by the UK Government and delivered through either a devolved Administration or a council. The higher the take-up, the more money comes back into the contract, and that money can go towards helping more people get superfast broadband. We all have a role to play in driving take-up and ensuring awareness. That is not unreasonable, now that the availability figures are getting higher, and work is going on inside Government on how we can drive take-up higher.

There have been calls for public money to be spent. Some £1.7 billion of public money has been invested in the BDUK programme, and £440 million of funding

will be returned for reinvestment, either thanks to programmes being delivered at better value and lower cost than expected—that is sometimes seen as rare in public expenditure, but it has been effective in these contracts—or because the take-up means that money is flowing back into the contracts. That will help to provide coverage for up to 600,000 additional premises, and I expect that further reinvestment funding will also come forward. That has been achieved through excellent contract management, especially with local authorities, as well as strong take-up in many areas. Crucially, that has been above expectations. For instance, in Scotland nearly £38 million has been returned to date as a result of the UK Government contracts for reinvestment, and people who have really low speeds—less than 2 megabits per second—can take advantage of the Better Broadband scheme.

The right hon. Member for Orkney and Shetland set out the case of his caseworker in Shetland who has a speed of 0.3 megabits per second, in contrast with the much higher speed of his London staff. The Better Broadband scheme is a voucher-based system that allows anyone with a speed of less than 2 megabits per second to access funding for a basic broadband contract and connectivity, for instance through satellite, and I recommend that the right hon. Gentleman's caseworker not only take that up but then email people in his constituency to let them know that the scheme is available. The grant is technology-neutral and can be spent on satellite, wireless or community fibre projects.

I fully understand the frustration of those who do not yet have a good connection. We have talked about some of the figures. Some 81% of South East Cornwall is covered by commercial contracts, but only 83% has access to superfast broadband, meaning that provision through Superfast Cornwall covers only 2% of the constituents of my hon. Friend the Member for South East Cornwall (Mrs Murray). There is clearly much more to do in Cornwall.

In Eddisbury, 82% of premises have access to superfast broadband, but that means that 805 premises have less than 10 megabits per second, including that of my parents—I hear about it all the time. Thankfully, though, a new procurement is in the pipeline in Cheshire, which I hope will cover crucial parts of the county—with no special pleading.

In the constituency of the hon. Member for North Ayrshire and Arran (Patricia Gibson), 87% of premises currently have superfast access, according to an independent study by thinkbroadband.com, and that will rise to 93% by the end of the year. Thanks to the support of the UK Government, 14,000 premises there have already been covered, with several thousand more to come.

The hon. Member for Strangford (Jim Shannon) mentioned the business voucher scheme. We have consulted, following the autumn statement, on a further full fibre business voucher scheme and will respond to that consultation at around the time of the Budget. I understand the success of the business voucher scheme of the past couple of years. The hon. Gentleman mentioned that he had coverage of 79.1%. I would like to put on the record that, according to my figures, it is 79.4%.

Jim Shannon: That is in the past couple of days.

Matt Hancock: One hopes. Clearly the engineers have been busy.

I met the hon. Member for Na h-Eileanan an Iar (Mr MacNeil) along with a Faroe Islands Minister. It was a very interesting meeting. The Faroe Islands are of course much smaller and have a monopoly provision, but there are lessons to learn.

4 pm

Motion lapsed (Standing Order No. 10(6)).

Community Alarm Services: Social Housing

[MR PHILIP HOLLOBONE *in the Chair*]

4 pm

Justin Madders (Ellesmere Port and Neston) (Lab): I beg to move,

That this House has considered social housing community alarm services.

It is a pleasure to serve under your chairmanship, Mr Hollobone. I am pleased to have secured a debate on this important issue. I sincerely hope, despite the extremely difficult and tragic circumstances that I will outline, that we will be able to reach a positive outcome and improve the safety of the many people across the country who rely on community alarm services.

At 18.35 on 5 November 2015, Ronald Volante, father of my constituent Rita Cuthell, triggered the community alarm service in his property. It was operated by the social housing provider, Magenta Living. He was in a considerable amount of distress and could only manage to cry out the word “help” to the individual receiving the call. Two hours later, an ambulance finally arrived at Mr Volante’s house and the paramedics who attended found that he had sadly died. He was found next to a note addressed to his daughters, which said, “I love you.” It is difficult to appreciate fully the suffering that Mr Volante experienced during those hours, or the pain and anguish that those closest to him have suffered since as the full extent of the circumstances of his death have become known.

What has become clear is that a number of opportunities that could have saved Mr Volante’s life were missed. Nothing that we can say in this debate today can change that fact. What we can do is seek assurances that nobody else will have to go through such an appalling experience ever again. Mr Volante was a resident at the Maritime Park social housing complex, which is owned by the Regenda Group housing association. During daytime hours, a warden was present at the facility. Out of hours, residents relied solely on a community alarm service provided by the Magenta Living housing association. Mr Volante was 74 years old and suffered from coronary artery disease and thrombosis. He had previously suffered a myocardial infarction that required heart surgery.

After Mr Volante triggered the alarm, his call was answered by an operator within six seconds. The operator’s notes state that they could not ascertain what Mr Volante was requesting, other than help. After attempting without success to call both of Mr Volante’s daughters, the operator called for an ambulance at 18.38. I have seen a transcript of the conversation with the North West Ambulance Service, which lasted for just over six minutes. During the call, the operator speculated as to whether Mr Volante might be having some kind of speech problem, as all they could hear was the call for help. The operator was unable to provide a great deal of detail about Mr Volante’s condition, as they were communicating with him remotely from a call centre and had no visual contact. At no point during the conversation did the operator inform the North West Ambulance Service of Mr Volante’s heart condition, despite that information being available. Although the ambulance service knew

that the caller was not actually with Mr Volante and was calling from a lifeline service, it made no further enquiries about his medical history.

Following the call to the emergency services, the operator confirmed to Mr Volante that they had called an ambulance. At that stage, they received no response from Mr Volante. Despite that, they closed down the community alarm service at that time, 18.46. The call to Mr Volante lasted a total of 10 minutes and 41 seconds. No further efforts were made to contact Mr Volante’s family at that stage.

Frank Field (Birkenhead) (Lab): I thank my hon. Friend for securing this debate, which affects his constituent, and my constituent, who unfortunately died in this incident. Is one of the many lessons that we might draw from this that the service works all right if a person is not in the process of dying? However, once someone is in the process of dying, there seem to be some real faults. One is about how an operator follows up when they do not hear any more from someone after they call for help. That is one area that should be attended to.

Justin Madders: My right hon. Friend is absolutely right. I will come on to the issue he raises later in my contribution.

Almost an hour and a half later, at 20.07, the North West Ambulance Service, having still not arrived, contacted the community alarm service to advise that it had been receiving a large number of emergency calls—it was bonfire night—and asked whether the ambulance for Mr Volante was still required. The operator advised that they were not sure, as they had had no further contact with Mr Volante. Ambulance control advised that it would attend as soon as it could and asked the operator to provide an update to Mr Volante. A second operator made a call to update Mr Volante at 20.11, but no response was received. At this stage, a second operator telephoned Mr Volante’s daughter, Mrs Cuthell. She expressed concern that nobody had attended the flat in an hour and a half. At 20.30, just under two hours after the initial call to the alarm service by Mr Volante, an ambulance finally arrived at his address. At 20.37, the alarm service received a call from the ambulance service, which confirmed that Mr Volante had sadly been found deceased.

As I said when I began my remarks, a number of opportunities were missed throughout the two hours—opportunities that could have led to Mr Volante’s life being saved. The inquest was opened on 28 January 2016. The coroner, Mr Rebello, determined that Mr Volante died of natural causes, because there was no certainty that an earlier intervention would have saved his life. However, Mr Rebello also issued a report under regulation 28—also known as a report to prevent future deaths—because he believes, as do I, that action should be taken to prevent future deaths in similar circumstances.

I am therefore now requesting the assistance of the Minister and his colleagues to ensure that action is taken, not only by Magenta Living but by every provider of community alarm services. I also believe there are messages for ambulance service providers across the country, and I hope that the Minister will be able to take them on board. The first serious issue was the fact that a 999 call on behalf of a 74-year-old gentleman with a serious heart condition was categorised as a

green 2 call. While there is a national standard that an ambulance will be provided in response to the most urgent telephone calls—also known as red 1 and red 2 calls—within eight minutes, there are no national standards for a response to a less urgent green 2 call. In those cases, the North West Ambulance Service sends an ambulance as soon as is practical, which sadly on a busy night like 5 November can be hours rather than minutes.

In her evidence to the coroner, Irene Weldon, the acting manager for the emergency operations centre covering Cheshire and Merseyside, confirmed that it was very likely that the call would have been treated with a higher level of priority—red 1 or red 2—if the call handler had been made aware of Mr Volante's history of heart disease and thrombosis. When I put that to Magenta Living and asked why Mr Volante's medical conditions were not disclosed to the ambulance service during the call, I was provided with the following response:

“Proactively providing medical history to the ambulance service at the point of contact by call handlers does not form part of the procedure accredited by the TSA.”

TSA is the Telecare Services Association. It is the industry body for community alarm services. It sets national standards for providers to adhere to and provides a framework that sets out how its members should respond to calls. Clearly it is not acceptable that the framework does not require vital medical information to be provided to ambulance services when a 999 call is made by an alarm service operator. The coroner called for action to be taken in that respect in his report to prevent future deaths, and I echo that call for action.

The second issue is that while Mr Volante was able to vocalise his request for help when he contacted the community alarm service, by the time the operator made contact to confirm that an ambulance had been called just a few minutes later, he was no longer responsive. That important change in circumstances was not reported to the ambulance service. Again, that could have led to the call being given higher priority. When I asked Magenta Living about that, it said:

“Historically, a change of circumstances would not result in a call handler updating the emergency services. This practice was adopted due to the fact that keeping the line open could potentially impact upon the monitoring of the centre's ability to respond to further activations from residents at the same scheme.”

It is completely unacceptable that community alarm providers do not routinely inform the emergency services of a deterioration in the condition of a caller. If the ambulance service had been informed of the possibility that Mr Volante was no longer breathing, it is very likely that the priority of the call would have been upgraded. That was another concern raised by the coroner.

As I said previously, we cannot possibly say with certainty whether earlier intervention in this case would have saved Mr Volante's life, but we know that in all urgent cases of this nature, every minute matters, so I can say with absolute certainty that if the medical condition of callers, or any deterioration in their circumstances, is not being reported to ambulance services as a matter of course, the lives of the 1.7 million people who use community alarm services are being put at risk. When he sums up, will the Minister indicate whether he agrees with me that the national framework set out by the TSA should be urgently updated to ensure that

those issues are addressed? I also ask him to join with me in asking all social housing community alarm service providers to ensure that their local processes reflect the recommendations set out by the coroner in Mr Volante's case.

Since her father's death, Mrs Cuthell has been tireless in pursuing those issues, so that she can feel that justice has been done for her father. I know that her biggest wish is that nobody will ever have to go through such a terrible experience again. It is to her absolute credit that throughout the trauma of her father's death and the incredibly difficult experience of the inquest she has maintained a great focus on making sure that lessons are learned and improvements are made. She has shown calm dignity and incredible determination to bring about change, and I am pleased to say that that is beginning to bear fruit. We have held numerous meetings with the TSA and the North West Ambulance Service. There has been progress, albeit at a much slower pace than we would have liked.

The TSA has arranged meetings with the Association of Ambulance Chief Executives and is working with it and its members to develop protocols for its quality standards framework, which it hopes will be fully implemented by June. That will mean that when a call of this nature is made in future to the service providers, the call handler will provide reassurance to the caller until the responder is actually present. It also plans to have clear procedures in place to communicate with the responders and, crucially, plans to escalate the matter where it becomes clear that a responder is not available. A national emergency algorithm is also being developed that will enable all necessary information to be passed to the ambulance services when a call is made, to enable the ambulance service to prioritise such calls more accurately.

The right approach is being taken by the TSA to ensure that the tragic situation is not repeated, but the TSA does not represent every provider in the sector. Membership of that organisation is voluntary, and that is where we need assistance from the Minister. We would like to see all telecare services adopting the same approach and adhering to the same standards that the TSA is developing. Is the Minister prepared to look at making that a requirement across the board?

I want to touch on some concerns about ambulance services. I understand that the primary issue in this case was the fact that the call had been awarded a lower priority because important facts were not reported to the ambulance service. It is nevertheless unacceptable that it took almost two hours for that service to respond.

Although much of the recent media focus has been on when people get to hospital, ambulance services have suffered the most worrying deterioration in recent years. There is a national standard that says that red 1 and red 2 calls should be attended within eight minutes; the reality is that that target is not met in about a third of cases, and has not been met for some time. The most recent figures show that just 68.5% of red 1 cases—where a patient has suffered a cardiac arrest or stopped breathing—are responded to in eight minutes. In other life-threatening emergencies in the red 2 category, just 62% of calls received a response within eight minutes. Lives are being lost and patients are being put at risk because funding to the NHS has not kept up with demand. I know that the Minister cannot tell us what

[Justin Madders]

the Chancellor has planned for his Budget next month, but I call on the Government to deliver the rescue package that our NHS so desperately needs.

Whatever happens with funding, the other steps I have outlined today do not come with a price tag and can be implemented across the board. We know that will not bring back Mr Volante, but it would allow us to look his family in the eye and say that lessons have been learned and the mistakes that led to his death will not happen again.

4.14 pm

The Parliamentary Under-Secretary of State for Health (David Mowat): It is a pleasure to serve under your chairmanship today, Mr Hollobone. I start by congratulating the hon. Member for Ellesmere Port and Neston (Justin Madders) on leading the charge on this debate, which raises a number of serious issues. I thank him for the work he has done so far with the family and the progress that has been made as a consequence of that work. I will come on to talk more about that in the next few minutes.

This short debate raises a number of important questions. It is clear that we need to learn lessons. In preparing for the debate, it struck me that this industry is a growth area in our country. More and more people are in sheltered accommodation for longer and are reliant on call handling services provided by a variety of contractors. More and more people are therefore susceptible to this sort of tragedy, which is probably a consequence of a mixture of individual error and the procedures and processes not being in place to pick that up.

Before I respond in more detail, I add my condolences to the two daughters and the family of Mr Volante for what happened on 5 November 2015. I reiterate that the Government are as keen as they are that we get the lessons learned from this situation right.

I will briefly set out the issues as I see them on what happened that evening. The company Magenta was operating an outsourced service called Support Link to the sheltered housing association. It received a call from Mr Volante. All that was heard in that call was the word “help”. As per the procedure, the company tried to reach Mr Volante’s daughters, who were the next contact in the process it had. It was unable to do that, and then called an ambulance.

As the hon. Gentleman has said, although it was known to the call operators that Mr Volante had a heart condition, at that time it was not made clear to the ambulance service. As a consequence, although not necessarily entirely as a consequence of that—we will come back to that; the hon. Gentleman made some comments about how the ambulance service reacted—the call was given a lower priority than it otherwise would have been. The consequence of that was that the standard for the call was 30 minutes, and as we have heard, it took nearly two hours on 5 November, the reason given being that it was Guy Fawkes’ night.

When Magenta was informed that the ambulance was going to take longer than expected, it called back and was unable to get a reply from Mr Volante. It did not take any further action at that time, such as asking the ambulance service to expedite or convert the call to

a higher priority. When the ambulance finally arrived, as we have heard, Mr Volante was found to be deceased. The coroner accepted that had procedures been carried out effectively and properly the outcome may well have been the same, but we do not know that. He made a number of recommendations at the inquest, including a regulation 28 report, which is what we are here to discuss, and made other, wider points.

The coroner made a number of observations specific to this case and a number of wider observations, and we have heard about the work that has been done on some of those points. His specific observations on the case included the point that Magenta had access to the medical records, and the ambulance service should have been made aware that Mr Volante had heart disease. The ambulance service has said that had it known that, it would have been likely to have given the call a higher priority and got an ambulance there much more quickly.

Secondly, and equally importantly, when Magenta called Mr Volante back and there was no response, which implied some kind of deterioration in his condition, it did not take any action. It did not inform the ambulance service that the call should potentially be upgraded. In two further dialogues with the ambulance service, it did not do anything proactive to expedite the situation.

Finally, the coroner suggested that Magenta’s procedures be updated and that training and supervision be updated to reflect that. My understanding is that Magenta has put the required changes in place quickly and effectively, which I believe has been accepted by everyone involved—but of course that is not the whole issue.

There are four wider issues. First, Magenta is accredited by an organisation called the TSA. It is clearly important that the measures that Magenta has implemented are implemented equally by all other members of the TSA. Organisations that declare themselves to be accredited, which brings some status in terms of procurement and all that goes with it, must put in place exactly the same procedural changes as Magenta. I will come on to talk about that.

The second issue is that that applies only to organisations that are accredited or are part of the TSA, but a number of call handling organisations are not in that category. We think, although we do not know for certain, that about 10% of call handling organisations are not accredited, which clearly leads to a loophole in making this process work.

The third issue—the hon. Gentleman talked about this—is whether the ambulance service could have done more. It is not absolutely obvious to me why the initial call was given a green coding. I accept Magenta’s story that had it been informed of the heart condition the call would not have been given that code. I have not seen the conversation, but it still does not seem right that a call for help should have resulted in a low-priority ambulance being called. Another issue is that, after the call was given a lower priority, the ambulance took nearly two hours, against a standard of 30 minutes. I will come back to what the lessons learned are.

The fourth issue to learn lessons on is the overall regulatory environment. GPs, hospitals, care homes and domiciliary care providers are regulated by the Care Quality Commission. That regulatory system is, on the whole, effective. It is not 100% effective, but it is certainly better than nothing. The interesting point,

which the hon. Gentleman did not raise explicitly but is part of the learning, is that sheltered accommodation is not regulated in the same way. The reason is that, under the Health and Social Care Act 2008, which set up the system of regulation, sheltered accommodation is not considered to provide personal care and is therefore outside the regulatory environment.

That also applies to call handling organisations. We have noted that they are not regulated. I had a discussion this morning with the CQC, which is aware that they are outside the regulatory system, and we are going to monitor the issue and think about taking it forward. I do not want to be more explicit than that, and the hon. Gentleman did not raise the issue explicitly. I learned that the status of a call handling organisation is similar to that of a friend phoning 999 when an issue has arisen. There are issues there that we can learn from and think about. The very least that needs to be understood is that, when something is not regulated, people need to be clear about what that means, and we should not act under the perception that regulation exists.

We heard from the hon. Gentleman about the work that he and Mrs Cuthell have done with the Telecare Services Association. Broadly speaking, the TSA operates a framework of best practice for such conversations. The framework is audited, and I believe that the TSA has teeth in its accreditation process. Through the work of the hon. Gentleman and Mrs Cuthell, it has been made clear that the framework will be updated. The next version is to be released in the summer—in June or July—and it will be audited. I can say no more about it than that, other than that I agree with the hon. Gentleman that progress has been slow. After this debate, we will write to the chief executive of the TSA to say that the Government also regard it as very important that the framework is updated, and that we expect that to happen. The hon. Gentleman and I should perhaps meet at the back end of the summer to ensure that everybody is happy that action has taken place appropriately and that every other supplier has put in place the same level of protection as Magenta.

On the issue of non-TSA suppliers, which is a loophole, I have explained the regulatory environment. The commitment I make about that 10% or 20% of the market—the fact that we know so little about it is significant—is that we will find out which the major organisations in that category are and write to them to put to them the lessons that Magenta has learned from

this case. We will say that we expect them to understand the lessons and take similar action. There is a point to be made about how such services are procured by clinical commissioning groups and local authorities. Those organisations need to understand—I think this is the case at the moment—that when someone procures call handling services of this type, there are benefits to ensuring that the organisations they buy from are accredited by the TSA. That has some value, and commissioners should be on guard in that respect.

The hon. Gentleman's final point was about the performance of the ambulance service on that evening. I agree that the time taken for the ambulance to get there was completely unacceptable—I think the ambulance service agrees with that, albeit that it is mitigated by the fact that it was 5 November. The hon. Gentleman made a number of wider points about funding, which he cannot expect me to answer in this debate. We will write to the chief executive of the North West Ambulance Service to make the point that this incident was unsatisfactory and ask him to be absolutely certain that the initial classification as low-priority was correct following the dialogue between his call handler and the Magenta call handler. It is not absolutely clear to me, given the facts as I understand them and as the hon. Gentleman set them out today, that that was the case. I make that commitment.

At the start of the debate, the hon. Gentleman said that Mrs Cuthell's major motivation is to ensure that what happened to her family never happens again. I cannot make a commitment that it will never happen again, but I can say that the story we have heard is completely unsatisfactory. The Government understand the failures that occurred and will put in place what is needed to try to ensure that it does not happen again. The hon. Gentleman made the point that 1.7 million people are covered by such call handling systems. That number will only increase as our population ages and as a higher proportion of people are in sheltered accommodation or are covered by call handling organisations while living at home.

I reiterate my commitment to meet the hon. Gentleman at the back end of the summer to ensure that these various things have been taken on board, that these actions, many of which he has led, have taken place, and that we are happy that what can be done has been done.

Question put and agreed to.

London Stock Exchange

4.29 pm

Sir William Cash (Stone) (Con): I beg to move,

That this House has considered the future of the London Stock Exchange.

It is a pleasure to serve under you, Mr Hollobone. I have brought this matter for debate because the proposed merger between Deutsche Börse and the London Stock Exchange raises issues of national interest and, in my opinion, it is a slam dunk that the merger is not in the national interest.

The London Stock Exchange Group owns several key market components in the United Kingdom, including the London Stock Exchange itself, a recognised investment exchange regulated by the Financial Conduct Authority and the London Clearing House, which is supervised by the Bank of England. A number of subsidiaries of the group are also regulated by the Financial Conduct Authority. The proposed merger requires regulatory approval by the Bank of England and the Financial Conduct Authority. The most significant approvals are those required, first, from the Bank of England in connection with the London Clearing House, which I understand to be 57% owned by the London Stock Exchange, and which conducts euro clearing, and, secondly, from the Financial Conduct Authority with respect to the London Stock Exchange, which is fundamental to the City of London's capital markets.

The London Clearing House is one of the two main clearing houses in the UK and clears all major currencies, including the euro. As I understand it, both the German and French Governments have indicated a wish to strip euro clearing out of the City. All of that has significant political involvement because it would facilitate in due course a substantial movement of UK market infrastructure to the continent and would permit Germany and France, in the context of Brexit negotiations, to achieve German and French objectives that will undermine the UK's political leverage during those negotiations.

Her Majesty's Treasury has certain powers to direct or make recommendations to the Bank of England or the Financial Conduct Authority to take action or not. The Prime Minister is First Lord of the Treasury, and the Chancellor of the Exchequer of course has fundamental responsibilities. The Treasury has powers of direction over the Bank of England under section 4 of the Bank of England Act 1946. It may give directions to the Bank following consultation with the Governor

"as...they think necessary in the public interest."

The Treasury may direct the Bank to exercise its powers not to approve the acquisition of what is described as a "qualifying holding" in the London Clearing House.

It is not known whether the Bank of England has already given its approval, although the Treasury could direct such a decision to be reversed on the grounds of public interest. The powers include determining that the proposed deal is not a normal commercial deal in the light of the Brexit negotiations and to take account of the involvement of the state of Hesse, which has shown a desire to boost Frankfurt as a hub at the expense of London, which is indicated in the report of Professor Dirk Schiereck, commissioned by Deutsche Börse in

January 2017. In the past few days a Minister in Hesse indicated that the headquarters of the merged group should be in Germany:

"The reasons for the headquarters being in Frankfurt are crystal clear."

The objective could not be clearer. It is inconceivable, in the UK national interest, that the London Stock Exchange should be regulated in and operated out of Germany as we leave, and having left, the European Union. There are also questions, as yet unresolved, surrounding the new chief executive officer, who is under investigation for potential insider dealing in connection with the London Stock Exchange deal, and the regulatory relationship between the United Kingdom and the EU which forms part of the Brexit negotiations. It would not be in the public interest for the combination of the two groups to be achieved immediately in advance of those negotiations, since that would give commercial parties operating at the behest of German political masters the ability to remove the rug from underneath the UK's feet without regard to the negotiated outcome, or to threaten to do so during the negotiations unless the UK made certain concessions.

If the deal goes through, the combined group will be able to bulk up euro clearing and exchange and business clearing generally in Frankfurt at the expense of London. Given the declared political objective to promote Frankfurt, Paris and the eurozone, that is not an outcome in the UK's national interest.

George Kerevan (East Lothian) (SNP): The hon. Gentleman is, as ever, making a logical and compelling case, but is he suggesting to the House that the owners and management of the London Stock Exchange are willingly entering into a merger that will lead to the transfer of all of their business to another country?

Sir William Cash: There is severe detriment to our national interest in allowing a merger of that kind when the London Stock Exchange and its group are the jewel in the crown of the City of London. Any merger raises matters of national interest such as, first, financial stability and UK taxpayer liability. The merger would create a new financial market infrastructure group controlling, inter alia, about 90% of European-listed and over-the-counter derivatives transactions, but operated for the benefit of shareholders, not users, with an unprecedented complexity of risk profile and significant uncertainty as to whether the UK taxpayer would pick up the bill were part of the combined infrastructure to fail. The uncertainty created by the lack right now of a clear Brexit deal adds considerably to the stability and taxpayer risks.

Secondly, there is loss of control of a key UK asset post-Brexit. The London Stock Exchange is a major centre of global financial markets: more than 500 foreign companies are listed in London, which is 20% of global foreign listings; and it has the highest equity market capitalisation, 170%, in relation to the GDP of all the largest economies. Majority control of that vital business will pass to Deutsche Börse shareholders, who will own 54% of the new group post-merger. Passing control of the London Stock Exchange to Deutsche Börse in the context of Brexit is not in the national interest and might undermine our negotiations with the 27 member states as we leave the EU.

The issue is not where the headquarters of the new company is located technically. I am told that formally moving the HQ to Germany, as the state of Hesse has insisted, is not likely given the need for a significant shareholder vote, but that is beside the point. The real issue is who calls the shots and in whose interests critical decisions are made. It is no answer to say that the HQ will remain in the UK if the reality is that the people really in charge are flying in for the day from Germany. Decisions must be taken in the UK and in the interests of the UK.

My third point is about competition concerns. The only substantial remedy offered by the parties to the EU Commission to allay concerns about significantly impeding effective competition is the sale of the central counterparty, Clearnet SA, based in Paris, and part of the LSEG. No disposals have been offered by Deutsche Börse, which owns trading platforms, central counterparties and settlement systems that have been integrated into a single vertical silo in Frankfurt. That is not sufficient, and I am concerned that the outcome of the European Commission's review of the proposed merger will be determined by the EU's political priority to ensure that Germany has control over London's capital market infrastructure, instead of by genuine market concentration and anti-trust concerns.

Fourthly, there has been a lack of public scrutiny and industry comment; there has been little proactive support for, or indeed criticism of, the merger from the main UK financial institutions. That is not surprising, since the parties have given 12 major investment banks a role in the deal and they are destined to share about £353 million in fees if the deal succeeds. There has also been little comment by the UK Government so far on a deal concerning a major UK asset, although they still have a public interest role to play under the Enterprise Act 2002. We need to know why it was, and who decided not to refer the merger when it first came before the Secretary of State. Vast profits and sums of money are involved, and some stand to gain financially on a grand scale. All of that can be ascertained, but the national interest must prevail.

Precious little has been put into the public domain to suggest that the deal is remotely in the public interest. On what possible basis can it be argued, in particular post-23 June and the passage through the House of Commons of the European Union (Notification of Withdrawal) Bill, that the merger is in the national interest? Furthermore, under section 1JA of the Financial Services and Markets Act 2000, the Treasury

"may at any time by notice in writing to the FCA make recommendations to the FCA about aspects of the economic policy of...Government",

including how to ensure compatibility with the FCA's "strategic objective", to ensure that the London Stock Exchange functions well, and how to advance the FCA's objective to ensure the soundness, stability and resilience of the UK's financial system, which is defined as including the London Stock Exchange and the London Clearing House.

James Duddridge (Rochford and Southend East) (Con): Has my hon. Friend thought about what would happen, were the merger to go ahead, if the eurozone collapsed, given some of its fundamental difficulties? Having extricated ourselves from involvement in the euro and, on Brexit, from the European Union, would the merger not lock

in some of the potential downsides to the UK equity and capital markets without gaining us any of the upsides?

Sir William Cash: As I have said, the withdrawal Bill is quite clear. We will leave. That means that we will be insulated from the catastrophe that could occur if the eurozone collapsed. I could enlarge that point, but I will not for the time being.

There is another statutory requirement to ensure the principle of the desirability of sustainable growth in the UK's economy in the medium or long term. Those are all statutory functions, and I strongly suggest that Her Majesty's Treasury should decide—in fact, I urge it to—that it is not in the UK's interests to allow a deal where there is a clear intention to take action that would cause systemic risks in the UK and be detrimental to UK tax revenues.

I move to the powers of the Bank of England, which is under a judicially reviewable statutory duty in respect of the test of approval for any acquisition of the London Clearing House. Under the European market infrastructure regulation, the test for approval in general terms for the purpose of ensuring the sound and prudent management of the London Clearing House raises questions of the suitability of the proposed acquirer and the soundness of the proposed acquisition, including the person who will direct the business of the London Clearing House. It also includes questions relating to whether the Bank of England would be able effectively to supervise, and several other factors. All those are in question in this instance.

I turn to the powers of the Financial Conduct Authority, which is required to approve the acquisition of the London Stock Exchange because it involves the acquisition of the "control" over the LSE by the new holding company. In those circumstances, the FCA has to consider the suitability of the new group holding company and the financial soundness of the acquisition to ensure sound and prudent management, and have regard to the key influence that the new group holding company will have on the London Stock Exchange. There are grave concerns about all those matters that pose a threat to the sound and prudent management of the London Stock Exchange, including questions relating to moving euro clearing out of London. The removal of euro clearing to Germany would undermine UK economic growth, because it may lead to the movement of other currency clearing out of the UK and undermine the City's success. Moving the new holding company to Frankfurt would also be against the UK national interest.

George Kerevan: I grant that there is an issue about the removal of all or a substantial amount of euro clearing to the European Union jurisdiction, but that may come anyway as a result of Brexit; it is not dependent on whether this merger takes place. Indeed, one could argue that the merger might act as a barrier to such a move.

Sir William Cash: I was against the merger before Brexit, and I have become even more so since. I emphatically repeat my view that it is against the national interest, and I will not in any way resile from that point.

This deal would operate against the UK's national interest in several ways. For example, the driver behind the merger is to consolidate as much market activity

[Sir William Cash]

across the whole value chain into as few liquidity pools as possible. The reason given for that is to allow customers—primarily the world's largest banks—to manage their capital and collateralisation requirements as efficiently as possible, particularly in the illiquid and untransparent world of OTC interest rate swaps. The most efficient way of achieving that is to have one dominant silo. This merger would bring together the two pre-eminent trading and post-trade silos in Europe, the London Stock Exchange and Clearing House and Eurex, which is owned by Deutsche Börse. One of those silos would inevitably prosper disproportionately, at the strategic and economic expense of the other. Given that a German chief executive officer would immediately be in place—whether that is the presently proposed CEO or not—and more than 54% of the shares would be owned by Deutsche Börse shareholders, and given the strength of Eurex's existing listed derivatives clearing house, there is a very meaningful risk that the London Stock Exchange and the London Clearing House, and therefore the City as a whole, would be at the thin end of the wedge.

In the real world of markets, this works as follows. There will be no big announcements, no formal closures and no notice of intention to leave. Rather, liquidity will be shifted from one place to another through the creation of incentives and tipping points. Mirror contracts will be created that mimic what is on offer in London. Special arrangements for collateral and cross-margining in the favoured venue will be put in place. Without anyone particularly noticing, liquidity will shift away from London to the continent. Once that siphoning of liquidity begins, it will be unstoppable, and without liquidity there is no market.

Prior to Brexit, when this deal was first negotiated, that was a very attractive outcome for the LSE's German partner. Post Brexit, control of the combined group and the shift of London's business to Europe is an absolute necessity for Deutsche Börse and its national stakeholders. The importance of that is shown by the ever louder calls from German politicians and regulators for the combined group to be headquartered in Frankfurt. Controlling the LSE's direction is key to Frankfurt successfully becoming the new financial centre of Europe—clearly at London's expense. Even if the headquarters are maintained in the UK, there will be a German CEO, a majority of shares will be held by Deutsche Börse shareholders and there will be a massive political push from Frankfurt, which will lead to decisions being taken behind closed doors, against the UK's interests.

The exchanges themselves have suggested that that loss of liquidity from London will not happen, and the solution is a so-called liquidity bridge. No market participant—apparently even the companies themselves—seems to understand what is meant by that or how it would be delivered. No reliance should be placed on it.

Finally, the acquisition of LCH.Clearnet SA by Euronext, which is largely French and Dutch-controlled and headquartered in Paris, is another political wildcard. That would enable France to exert much greater political force behind its push for euro clearing to relocate to Paris, again potentially creating systemic risk and dangerous uncertainty in the UK's markets.

This transaction has the clear potential to strip a key activity out of the City of London. It should certainly not be nodded through in the midst of Brexit negotiations.

Why weaken the City before we have even started the process of exiting the EU? I have mentioned the Enterprise Act 2002, which I understand can still be used in the public interest, including by reference to the criterion of UK financial stability.

In an important article published in the *Financial Times* on 13 February, Jonathan Ford makes it clear that the €29 billion merger was, as we know, conceived before the Brexit vote. The deal was supposed to take advantage of a converging EU rule book in the single market by drawing together Europe's two most vibrant securities markets and their clearing activities, which are the financial plumbing of the system. The aim was to create

“a single...‘pool of liquidity’”

that captured scale economies, in competition with the Chicago Mercantile Exchange.

Jonathan Ford argues that to make their own common pool a reality, Deutsche Börse and the London Stock Exchange would have to be very ambitious. He doubts whether that is feasible. He indicates that there is a serious problem, namely, that

“clearing operations have a wider impact on the functioning of capital markets; not just the management of systemic risk but on the very competitiveness of financial centres.”

He states:

“Given the importance of finance to the post-Brexit economy,” the United Kingdom has a “strong interest” in ensuring that the deal is not damaging to London as a financial centre. He argues that the Bank of England and the FCA still have vetoes, and the Government can “determine the outcome in the wider public interest.”

He suggests that the Government would be wise to intervene to prevent the loss of future business, and indicates that it would be better to take account of the Brexit negotiations as they proceed.

The UK has long been in favour of foreign direct investment, which increases productive capacity through capital investment, transfers of technology, skills and better management. Deutsche Börse's acquisition of LSE is not FDI. It is not cross-border investment in the UK by residents and businesses from another country with the aim of establishing a lasting investment in the UK. FDI does not cover the asset stripping and systemic risks associated with the proposed merger. Foreign investment in UK infrastructure, including in the LSE, is welcome—the LSE of course already has many foreign shareholders—but this merger must not be allowed to clamp down on competition, gut the UK's financial infrastructure and cause significant and lasting damage to the UK. It is understood that the European Commission has already commenced proceedings and the London Stock Exchange and Deutsche Börse have received a limited statement of objections to the proposed deal.

In conclusion, I urge the Government, the Bank of England and the Financial Conduct Authority, and other regulatory authorities, including those in Germany and Brussels, to recognise that whatever the reasons may have been for the merger before 23 June 2016, the reasons since then for determining and resisting it are extremely strong and should be employed.

Several hon. Members rose—

Mr Philip Hollobone (in the Chair): Order. The debate is due to finish at 5.30 pm. I need to call the Front-Bench Members no later than 5.07 pm. The recommended time limits for the Front-Bench speakers are: five minutes for the SNP; five minutes for Her Majesty's official Opposition; and 10 minutes for the Minister. That allows two or three minutes for Sir William Cash to sum up at the end. Five Members wish to speak, so I am afraid there will have to be a three-minute limit. If there are too many interventions, somebody will not be able to speak.

4.50 pm

Kirsty Blackman (Aberdeen North) (SNP): It is a pleasure to serve under your chairmanship, Mr Hollobone. I thank the hon. Member for Stone (Sir William Cash) for bringing this debate before us. However, the context and tone in which it has been undertaken is a bit unfortunate. To me, it seems that this is not a political issue, but it is being made to feel like one.

To give some context, there have increasingly been mergers in stock exchanges. There were 18 stock exchanges internationally in 1999, but that had decreased to five by 2012—those numbers were given in a Library briefing paper.

James Duddridge: There are more stock exchanges than that in Africa, so that is wrong.

Kirsty Blackman: Those are the numbers that were given in a Library briefing paper, so I assumed they were correct.

There has been a move towards stock exchange mergers in recent years. Therefore, the merger is in the context of the London Stock Exchange Group looking to compete with bigger stock exchanges and needing to be a bigger stock exchange in order to do that.

I want to make it clear that the merger is not an anti-Britain move. As has been said, it was conceived a long time before the Brexit vote happened. It is not about trying to write Britain out, and the deal was not set up to try to move things to Frankfurt. In fact, as the hon. Member for Stone stated, the headquarters of the new organisation will be in London and—I do not think he mentioned this—the board will be 50:50 from the LSE and Deutsche Börse. There is therefore a lot of protection built in.

The London Stock Exchange Group has a good story to tell, and I want to talk about that briefly and about protections. The group has done a huge amount to support high-growth small and medium-sized enterprises through its ELITE and AIM programmes, both of which have been immensely successful. In fact, the group will come to Aberdeen next month to speak to companies about accessing finance.

I have asked the UK Government on a number of occasions for assistance for oil and gas companies in accessing finance and have felt like I was banging my head against a brick wall and not getting much of a response. However, the LSE Group has offered to come and talk to companies about ways in which they can access finance, which is hugely important. Those companies are not big enough to be involved in the stock exchange but the group is looking to grow them. It has also been successful in the horizontal model it uses for clearing. Again, protections are written in that will ensure that such things continue.

I have talked about the 50:50 board and the HQ in the UK. No one seriously thinks that Frankfurt will become the centre for European banking. That is just not the case. Anyone who has heard about the situation on the ground in Frankfurt knows that it does not have the infrastructure to support that. It is not going to happen. Companies will not move wholesale to Frankfurt. If I was a Frankfurt politician, I would want people to come and I would be making positive statements about that happening, but it is not going to happen. London will continue to be a big financial centre, and the link between the London Stock Exchange Group and Deutsche Börse will serve to bolster that rather than to weaken it.

4.54 pm

Anne Marie Morris (Newton Abbot) (Con): My hon. Friend the Member for Stone (Sir William Cash) put it incredibly well, so I will not trouble the House with the detail he put on paper so articulately. As he rightly said, the merger was conceived before the Brexit vote and circumstances have fundamentally changed. Our Prime Minister has said that we will be leaving the single market, and I suspect that we will leave the customs union. That very much puts into question whether in any event the deal remains commercially viable for the many of the reasons he identified. The pooling looks dubious to me, and the cost savings are certainly dubious. The biggest concern is that, post-Brexit, this is on the political agenda as opposed to the commercial agenda, which worries me.

I hear what the hon. Member for Aberdeen North (Kirsty Blackman) said about not being concerned about change of control. I do not agree with her sense of security. If the control of shareholders is with Deutsche Börse, they can change anything that is written into the agreement. I believe the chairman is to be a German, and he will have the casting vote.

The consequences are that we are putting at risk one of our most valuable assets. The headquarters of this wonderful institution could move to Frankfurt. The regulatory environment in which the stock exchange works could change. The eurozone could take on euro clearing. I do not agree with the hon. Lady that that is inevitable—it is still up for negotiation and I would like to clear euros here. Do we really want to take that risk where politics trumps economics, as in the EU project?

Whatever we think of the merger, this is not the right time. We will cause instability in the market if we carry on with it. My plea to the Minister, and indeed to the Prime Minister, to whom I have written, is that the decision should be delayed until 2019. We have the power to do that. As my hon. Friend indicated, the Bank of England can do it, the Chancellor of the Exchequer can do it, the FCA can do it and the Competition and Markets Authority can do it. The risks are huge. The competition authority in Europe has yet again moved the date for its decision, to 3 April. If it makes the decision, there will be unstoppable momentum behind the merger and we risk all the events that my hon. Friend identified becoming a reality. It will then be very difficult to stop.

I agree with my hon. Friend that FDI is a good thing, but this is not FDI. Why would we threaten our national economy? Why would we threaten our national security? The stock exchange, just like the NHS and BT, is one of our crown jewels. When we look at these commercial

[Anne Marie Morris]

transactions, we must ensure that we make exceptions for things that are important to national wealth, national health and national infrastructure. The City supports that. I have now spoken to more than 50 individuals, and they will be named shortly.

4.57 pm

Stephen Hammond (Wimbledon) (Con): It is a pleasure to serve under your chairmanship, Mr Hollobone. I am glad: your stricture will cut down my 20 minutes of waffle to three minutes of pithiness. The London Stock Exchange is one of the world's largest diversified international market infrastructure and capital markets businesses. However—my hon. Friend the Member for Stone (Sir William Cash) made this key point—it is no longer a social institution. It is a public company like any other. Its existence and ability to trade depends on its range and quality of products. It is not a members' club or a public body.

Since its inception as a public company, it has changed dramatically, not only in the last 12 years but in the 40 years since we joined the European Union. As we leave the European Union, we need to recognise how much it has changed. It has sought opportunities to expand, and it has brought great success to the City of London, extending the range of products and activities. One therefore needs to see the merger with Deutsche Börse as the latest in a long list of opportunities and expansions that the London Stock Exchange has taken part in.

I do not have time to rehearse or go through my hon. Friend's concerns. He was right to make a number of them—there clearly are some concerns—but he failed to talk about any of the significant advantages. First, the merger would create a European market infrastructure company to challenge other comparable companies in the world. It is simply not right to say that the efficiency savings or cost savings would be minimal. There would be considerable efficiency savings that would reduce the trading costs for market participants and, inevitably, for end users—the pension funds we are all in—and it would reduce the costs for capital raising.

One of the great advantages of this potential merger is that the UK's high-growth businesses—they are the backbone of this country and, as we are now all Brexiteers, they want to go out into the world and compete—need to be able to get the capital that is so critical for growth and job creation in the United Kingdom. Highly innovative, high-growth companies in the UK need that access to non-bank finance and, in particular, equity. They also need the ability to access debt and debt instruments, which is one of the major opportunities that the merger will provide to both UK-based regional powerhouses and internationally-competing UK companies. We should not underestimate that benefit.

5 pm

Mrs Anne Main (St Albans) (Con): It is a pleasure to serve under your chairmanship, Mr Hollobone. I thank my hon. Friend the Member for Stone (Sir William Cash) for bringing the debate, which is very timely. As has been pointed out, the merger has been on the horizon for some time, but Brexit has suddenly crept over the horizon and, I am sure, will fundamentally impact on the decision-making process.

Half of St Albans's economically active population work in London, with many working in financial services. I believe Brexit presents the opportunity to recalibrate our financial services, but the merger has the potential to take away from our negotiating strategy. It is in the best interests of the EU to give London a good deal in the Brexit negotiations, but not if the stock exchange is relocated to Frankfurt, which could happen as a result of the merger. To not look at this in detail would be foolish.

As has been pointed out, 17 of the largest currencies in the world are cleared in London, including the euro. Goldman Sachs and J.P. Morgan have hailed the City as "one of the most attractive places in the world to do business", citing its "stable legal systems" and

"deep, liquid capital markets unmatched anywhere else in Europe". Doing anything that somehow puts a drag anchor on that liquidity is going to be a problem for the future. The merger should not proceed in such a febrile and shifting period as a result of our Brexit negotiations.

Does the Minister agree that it is in the best interests of the European Union's internal market to maximise its access to City financial services? I believe it is totemic that the stock exchange that is at the heart of those financial services actually stays in London. I do not agree with the Scottish National party Member, the hon. Member for Aberdeen North (Kirsty Blackman), that stock exchanges emerge hither and thither and it does not really matter where, and that a headquarters in one place is enough. I actually think it is of concern. If any other major business was potentially being taken out of this country, such as a car manufacturing business or any other manufacturing business, there would be significant concern. The fact that this is to do with financial services and the stock exchange does not make it any less of a concern.

We should put a stay on the merger, which could be perverse and jeopardise the positive situation in the City of London. As my hon. Friend the Member for Stone said, decisions must be taken in the UK, by the UK. Taking back control was fundamental to the drive for Brexit; ceding control at this particular stage, if that is at all possible, would be at odds with the drive in this country to keep control within the United Kingdom.

5.3 pm

Richard Fuller (Bedford) (Con): It is a pleasure to serve under your chairmanship, Mr Hollobone. I am grateful to one of my constituents for drawing my attention to this issue. I want to hear what the Minister has to say because, if we look at all of the recent mergers and acquisitions activity, whether between ARM Holdings and SoftBank, PSA and Vauxhall, Unilever and Kraft, or even Liberty House and Tata Steel, the Government are saying something. The Government have a view, so I think, as many hon. Members have said, it is appropriate to hear the Government's updated view.

It is clear from other aspects of Government policy that there was no planning for post-Brexit circumstances for our country, so it is appropriate that they should have a new and fresh look at this. We need to know if our rules and regulations for competitive markets and a national interest test are suitable and up to what is needed in this new period of uncertainty in our economy.

We have inherited those rules from the past, but should we rely on them as if we were part of the European Union and say they are fine and fit for purpose now, or is it appropriate for us to look at them anew?

It is also important to hear from the Government, because their crucial role at this time is to reduce uncertainty in our economy, so that people, companies and banks start investing in our country. It is fair to say that there is not a conspiracy—I do not think there is a conspiracy in the City—but when there are mergers and acquisitions involving a vast number of advisers, their interest will be focused on the deal and not necessarily on the impartiality of their advice to the Government. Without a clear review from the Government, there is a risk that the City will just let the merger through on the nod because so many people have vested interests.

Echoing my hon. Friend the Member for Stone, I would like to know the Government's role in reducing uncertainty on three specific issues. First, he mentioned a significantly increased systemic risk for the Bank of England from linking the two clearing houses, therefore exposing the UK to systematic breakdown of the euro. What assessment have the Government made of the extent of that? Secondly, as has been mentioned, on exposing the stock exchange to political risk from political groups outside the UK, what is the Government's policy for managing that increased political risk if the merger goes through?

Thirdly, the harmonisation of business models has been mentioned by both sides during the debate. That is a way forward, but it is not the only way forward. Do the Government view the City of London harmonising with the EU as a priority, or should it better be looking to independently frame arrangements with the world?

Mr Philip Hollobone (in the Chair): The five-minute guideline limit for speeches will be displayed on the clocks to help the opposition spokesmen to keep the debate on time.

5.6 pm

George Kerevan (East Lothian) (SNP): It is a pleasure to serve under your chairmanship, Mr Hollobone. This is an important debate, and we have discovered that an hour is not enough. I hope we can take it into the main Chamber at some point because a lot of issues need to be cleared up.

The hon. Member for Stone (Sir William Cash) is correct: this is a national issue and we have to take the national interest into consideration. The track record of takeovers and mergers in recent years has actually proven that, more often than not, the national interest has not been well served. There are a number of instances, particularly in financial services at this crucial moment in time, where dangers have to be brought into the light. The takeover by MasterCard of VocaLink, our main payments system in the UK, is systemically dangerous. It is also a technology raid, because we have the best payments technology in the world—that is another issue.

We have to judge mergers on a case-by-case basis. I say with due respect to everyone—I am not trying to make a silly debating point—that, if there has been a move to politicise this particular merger, I am afraid it has come from those who supported Brexit. They are in danger of finding problems where there are none to be

found. Why would the owners of the London Stock Exchange Group walk into a merger like this if it was so disastrous for their business, and if it was so patently obvious that they were going to be out-regulated and that their business will be shifted away to another part of the world? If we look at it from that perspective, it ensures a bit of common sense in the debate.

Sir William Cash: Will the hon. Gentleman give way?

George Kerevan: I would dearly love to give way, but given the little amount of time I have, I will not. As things move on, I hope we will have the chance for further discussion.

Hon. Members might be interested to know who actually owns the two parties in the proposed merger. In fact, the bulk of the London Stock Exchange Group's ownership is not British. It is the Qatar Investment Authority, it is BlackRock, which is a major American private equity group, and it is Invesco, which is headquartered in Bermuda—we can all ask why that is. It is not actually the jewel in the crown of the UK, as was mentioned. It is already an internationalised organisation.

If we were to ask who owns Deutsche Börse, the answer is that the majority is owned by City of London institutions. That underlines the fact that, while there are hundreds of small exchanges all over the world, particularly in Asia and Africa, the big exchanges are owned by global institutions, and they are about mobilising global amounts of capital. In particular, they are no longer simply about narrow trading in equity. They are fundamentally about finding the capital for exchanges in derivatives and interest rate swaps, which makes the whole global capital market work. For that, the capital needs to be pooled. That is why for the past 15 to 20 years, right across the globe, there has been a constant move to merge and in some way consolidate the large exchanges. As we know, it has not been easy for political and national interest reasons, but that is the way the market is going. I put it to Members that it is either this merger or another merger—a stand-alone London Stock Exchange Group is no longer tenable.

That brings me to the final point worth making. Aspects of the structure of the merger have to be discussed, particularly post-Brexit. For instance, it seems strange that it is 54% to Deutsche Börse and 46% to the London Stock Exchange, rather than 50:50. That should be discussed, but in the end, this or some other merger will go ahead. Let us look at the specific technical issues, but let us not politicise this issue, because it is the nature of the way these global markets are working.

5.11 pm

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): It is always a pleasure to see you in the Chair, Mr Hollobone. I begin by congratulating the hon. Member for Stone (Sir William Cash) on securing this extremely important debate at a critical time for the London Stock Exchange and for the many financial services companies in Europe and beyond that depend on its continued successful functioning. The hon. Gentleman could reasonably be regarded as the Archbishop of Brexit, so when he says that something might not be in the national interest as a result of the Brexit process, I for one certainly take heed of that.

[Jonathan Reynolds]

The London Stock Exchange is a great British institution, with a history dating back to 1698. In the intervening centuries, the LSE has evolved far beyond a simple trading platform. Its services are now exported around the world and a variety of markets benefit from those services, which include clearing, indexing and technology. As policy makers, it must be our priority to provide an environment in which that can continue. However, the LSE sits at the convergence of a number of challenges as the UK seeks its departure from the European Union. We need to pay careful attention to how those challenges can be managed, not only for the future success of the LSE but to ensure that potential damage to the rest of the financial services sector is mitigated.

The first and most sensitive of those challenges is undoubtedly the proposed merger of the LSE and Deutsche Börse. Given the standing of the LSE, it is unsurprising that it has been courted by numerous merger partners over the years. Mergers were under discussion between these two particular organisations as long ago as 2000. The LSE last rejected an offer from Deutsche Börse in 2005. Today's proposed merger has shareholder approval from both sides. The only barriers that remain are regulatory approval and the go-ahead from the relevant European and UK competition authorities.

There are good reasons why this deal could be in the best interests of industry more widely and the consumer, notwithstanding the outcome of in-depth scrutiny by anti-trust authorities. In the years following the 2008 financial crisis, regulators have made significant progress towards tackling a fragmented post-trade environment and mitigating systemic risk. It is arguable that the economies of scale provided by this merger may help those efforts, while creating a significant global player, as the hon. Member for Wimbledon (Stephen Hammond) outlined.

Consolidation has been a notable trend in recent years among trading venues, driven by a number of factors, but ultimately larger single entities have the potential to reduce costs for their stakeholders. This particular merger could also improve capital flows across the European Union, in the intended spirit of the capital markets union. I worry a little bit, listening to Conservative Members, about the degree of protectionism that seems to be slipping into centre-right parties around the world at the moment. Those advantages are perhaps being underestimated.

It is undeniable that the UK's decision to leave the European Union has significantly altered the terms of reference for the deal. In my view, it will be extremely challenging for the relevant regulatory and anti-trust bodies to deliver a final verdict on the proposals while the detail around the conditions of our exit from the European Union remain so vague. Notably, there seems to be some debate over whether the headquarters of the new entity would be in London, which was treated as a given prior to the vote on 23 June, or in Frankfurt, which has now entered the discussion given the UK's signalled departure from the single market. Clearly there are strong arguments for both sides, but the conversation must take place in the context of ensuring a future for clearing activities in the City of London.

London is one of the world's leading centres for clearing, providing essential market infrastructure to global financial services. The revenue and jobs that the

industry supports must be recognised in the Brexit negotiations. LSE's subsidiary, LCH.Clearnet, which is 57% owned by the LSE, cleared over 90% of the world's over-the-counter derivatives last year, amounting to a figure in excess of \$655 trillion. That is especially pertinent given the ongoing efforts by certain parties to relocate euro-denominated clearing to the continent. In 2015, LCH cleared €327 trillion across different euro-denominated products, according to evidence submitted to the Treasury Committee by the LSE earlier this year. The scale of that activity is so significant that it could support up to 232,000 jobs throughout the UK, which would be lost if euro-denominated clearing went as part of the Brexit process.

Although efforts have so far failed on the continent, given some strong practical arguments against re-domiciling those transactions, the relevant authorities must give careful consideration to potentially creating a bridge between Frankfurt and London that includes LCH.Clearnet, to mitigate the risk of that gaining traction.

The LSE is one of the vital cogs that has helped to build the UK's successful financial services sector. It is critical that we ensure it can continue to function effectively post-Brexit. A full and in-depth assessment of the proposed merger must take place in that context.

Mr Philip Hollobone (in the Chair): If the Minister would be kind enough to conclude his remarks no later than 5.27 pm, he would allow Sir William to sum up the debate.

5.16 pm

The Economic Secretary to the Treasury (Simon Kirby): Thank you, Mr Hollobone. It is a pleasure to serve under your chairmanship. I congratulate my hon. Friend the Member for Stone (Sir William Cash) on securing this important and topical debate. He has made many thoughtful and detailed points, and I will do my very best to answer them in the brief time I have. The hon. Member for Stalybridge and Hyde (Jonathan Reynolds) also raised some interesting points, which I will attempt to answer as I work my way through my speech; he should bear with me.

What is clear today is that we share the same interest: the continued success of an important, and some would say iconic, British company. The London Stock Exchange Group has a proud history that goes back more than 200 years. While the group is most famous today for its equities exchange, it is in fact a much wider business that includes, notably, one of the world's major clearing houses.

I well recognise that the proposed merger with Deutsche Börse is a significant development. Let me start by recalling some of its key terms. The merged company will be controlled by a newly created parent company, headquartered here in London. At the outset, it will be owned 54.4% by shareholders of Deutsche Börse and 45.6% by LSE Group shareholders. The board of directors of the merged group—

Mr Philip Hollobone (in the Chair): Order. I am sorry to interrupt the Minister, but a Division has been called in the House. If there is just one Division, we will return in 15 minutes. If there are two Divisions, we will resume in 25 minutes.

5.18 pm

Sitting suspended for Divisions in the House.

5.45 pm

On resuming—

Mr Philip Hollobone (in the Chair): We have 12 minutes left, of which the Minister can take up to nine.

Simon Kirby: It is a pleasure to be back under your chairmanship, Mr Hollobone. I was talking about the shareholding of the company. The board of directors of the merged group will be drawn from both sides of the group and chaired by the current LSE chair, Donald Brydon. The deal on the terms has now been approved by both sets of shareholders, but official scrutiny of the merger remains outstanding. Let me address that point in response to questions that my hon. Friend the Member for Stone asked about the roles of the FCA and the Bank of England.

The deal must be cleared by numerous regulators worldwide, including in Germany and the UK. In the UK, the Bank of England and the FCA have a statutory role in assessing and approving changes in the control of central counterparties and stock exchanges respectively. On CCPs, the Bank must be satisfied of the reputation and financial soundness of the acquirer, the reputation and experience of any person who will direct the CCP following acquisition, the CCP's ongoing capacity to continue to comply with relevant regulations, and any money laundering or terrorist financing concerns. On exchanges, the FCA is empowered to intervene if it considers that the change of control would pose a threat to the sound and prudent management of the regulated market. Those assessments remain outstanding and the regulators are in ongoing discussions with the companies.

Of course, the merger is of such a size that it must face rigorous scrutiny from the European Commission on competition grounds. Its investigation is also ongoing and includes the engagement of the UK Competition and Markets Authority in a consultative capacity. It is due to reach its conclusion in early April. That is a complex and sensitive inquiry, which I will not attempt to prejudge.

My hon. Friend asked about the Government's position. The Government do not have a formal role in scrutinising the merger, and it would not be appropriate for us to take a position either way on the deal, but we are following it closely and are in touch with the regulators.

Another area of concern that was raised pertains to the migration of businesses to Frankfurt if the merger goes ahead—particularly clearing businesses. The merger is subject to ongoing regulatory assessments. These are commercial matters, but for hon. Members' benefit, let me read out what the LSE Group said on 16 January in relation to speculation about the merger. It stated that

“such action is not contemplated and any statements suggesting otherwise are inaccurate and misguided...LSEG and Deutsche Börse are committed to maintaining the strengths and capabilities of their respective operations in London and Frankfurt. Further, the existing regulatory framework of all regulated entities will remain unchanged and, in particular, there is no intention to move the locations of Eurex or Clearstream from Frankfurt, LCH from London and the US, Monte Titoli from Milan or CC&G from Rome following completion.”

That is what the company said, but let me emphasise that we are not complacent about the position of UK financial services companies, and we will continue to ensure that we support and enable their ongoing success.

On the implications of Brexit, we are in regular contact with not just the LSE but many financial services firms to understand the implications of Brexit for their varied areas of business and their priorities for the new trading relationship as we negotiate with the EU. Our aim is clear: to ensure the continued success of British financial services and the millions of jobs that they bring to people across the UK.

Moving on to specific points raised during the debate, I welcome the thoughtful contributions made by the hon. Member for Aberdeen North (Kirsty Blackman), my hon. Friend the Member for Wimbledon (Stephen Hammond) and the hon. Members for East Lothian (George Kerevan) and for Stalybridge and Hyde. I want particularly to answer my hon. Friend the Member for Newton Abbot (Anne Marie Morris), who asked whether the deal could be postponed. In the long term, this business, like so many others, will need to meet the challenges and opportunities of Brexit. I assure Members that the Government take our role seriously. We will continue to engage with the LSE and other firms across the financial services sector to ensure that we understand their plans and what they consider they need from the arrangements that we are negotiating with the EU.

My hon. Friend the Member for St Albans (Mrs Main) asked what was to stop TopCo moving to Germany. The deal has been voted on by shareholders in its current terms with the London headquarters. It is clearly part of a balanced structure designed to secure the approval of both sets of shareholders. Ultimately, the long-term location of the headquarters is a matter for the board and shareholders, in common with other companies, but importantly, it is worth noting that in this case, the articles of association of the combined company will contain a safeguard that the location of the company cannot change without the approval of 75% of the directors. Also, of course, under the Companies Act 2006, the removal of that safeguard from the articles of association could take place only with the agreement of 75% of the combined group's shareholders. That is a significant point.

My hon. Friend the Member for Bedford (Richard Fuller) asked whether the companies would merge their central counterparties and whether that would create a systemic risk. The European market infrastructure regulation establishes a strict supervisory framework for CCPs, and in the UK they are regulated by the Bank of England. He was also keen to know more about the Government's view on takeovers. I have said and will repeat that there is a formal and regular scrutiny system for takeovers of exchanges and CCPs, operated by the Bank and the Financial Conduct Authority. There is also a competition scrutiny process.

My hon. Friend the Member for Stone asked about TopCo moving to Germany. I reiterate my previous comments: the deal has been voted on by shareholders in its current terms with the London headquarters. There will be 50% of directors from each side, and the shareholders' agreement provides additional and clear reassurance. He asked about the Treasury's power to direct the Bank of England. It is true that the Bank of England Act 1946 includes that power, but the factors

[Simon Kirby]

that the Bank can take into account are set at European level in EMIR, and the Bank would still be subject to those constraints in a scenario where the Treasury sought to exercise its power of direction. We can direct it only if we act lawfully, and we cannot direct it to act beyond the scope of its regulatory powers as set out in EMIR.

The Government take a close interest in the developments on the proposed merger and the assessments of the various regulatory bodies involved. Financial services represent an immensely important industry for the UK, and we have been clear that we will pursue a bold and ambitious free trade agreement involving the freest possible trade in goods and services, including in that sector. That is in not only our interests but those of member states across the EU. I thank hon. Members from throughout the House for being here today and sharing the commitment that we all have to the future success of the London Stock Exchange and the sector more broadly.

5.54 pm

Sir William Cash: I am glad that the Government will consider the matter carefully, and that it is clear from this debate that everyone accepts the need to examine the issue rigorously, as so many have urged on me since I introduced the proposals. We look forward to that further examination, which may well be on the Floor of the House.

I do not have time to go into all the details of the essential questions now; I set them out in my speech. On the question of who calls the shots and the location of the headquarters, as I said, formally moving the headquarters to Germany would not be likely given the need for a significant shareholder vote, but that is

beside the point. The real issue is who calls the shots and in whose interests critical decisions are made. It is no answer to say that the HQ will remain in the UK if the people who are really in charge just fly in from Germany for the day. Decisions must be taken in the UK, in the interests of the UK. I hope that the Government will take a proactive position on all of this.

I do not agree with the Minister's assessment of the impact of the articles of association. I have been a lawyer for a long time, and I know that such things have an extraordinary capacity to disappear into the wind. I am not impressed by the 75% argument, whether it involves directors or the combined group. The key question is who calls the shots. The idea of 50% of the directors coming from each side is interesting, but basically it all comes down to the national interest.

With regard to the powers of the Treasury under section 4 of the 1946 Act, the European market infrastructure regulation is a European regulation. I inform the Minister, just in case he had not noticed, that we are leaving the European Union, which means that the European Court of Justice will no longer have a role in relation to the regulation. I do not say this cynically, but I strongly suggest that he goes back to his lawyers and assesses that point. The European Court of Justice will not have any jurisdiction over EMIR once the matter has been dealt with by our exiting the European Union, the repeal Bill and other measures. I thank you, Mr Hollobone, for your chairmanship of this debate.

Question put and agreed to.

Resolved,

That this House has considered the future of the London Stock Exchange.

5.56 pm

Sitting adjourned.

Written Statements

Tuesday 21 February 2017

TREASURY

ECOFIN

The Chief Secretary to the Treasury (Mr David Gauke):

A meeting of the Economic and Financial Affairs Council (ECOFIN) will be held in Brussels on 21 February 2017. EU Finance Ministers are due to discuss the following items:

Early morning session

Ministers will be briefed on the outcomes of the 20 February meeting of the Eurogroup, and the European Commission will present an update on the current economic situation following the publication of the Commission's winter forecasts on 13 February. Ministers are also expected to discuss points of clarification in relation to the intergovernmental agreement on the single resolution fund.

Anti-tax avoidance directive

Ministers will be invited to reach a general approach to the second anti-tax avoidance directive (ATAD2).

Current financial services legislative proposals

The Council presidency will provide an update on current legislative proposals in the field of financial services.

Criteria and process leading to the establishment of the EU list of non-co-operative jurisdictions for tax purposes

Council will take stock of further work that has taken place following the Council conclusions agreed at ECOFIN on 8 November 2016.

Preparation of the G20 meeting of Finance Ministers and central bank governors on 17 and 18 March 2017 in Baden-Baden

Ministers will be asked to mandate the Economic and Finance Committee (EFC) to finalise the EU terms of reference for the next G20 meeting of Finance Ministers and central bank governors.

Discharge to be given to the Commission in respect of the implementation of the budget for 2015

On the basis of a report from the European Court of Auditors, Ministers will be asked to approve a recommendation—to be forwarded to the European Parliament.

Budget guidelines for 2018

Ministers will be asked to adopt Council conclusions on the guidelines for the 2018 budget, which will serve as a point of reference in the forthcoming budgetary cycle.

European defence fund

The Commission will provide information on its European defence action plan, focusing in particular on the proposed launch of a European defence fund.

[HCWS484]

ENVIRONMENT, FOOD AND RURAL AFFAIRS

Agriculture and Fisheries Council

The Minister of State, Department for Environment, Food and Rural Affairs (George Eustice): I represented the United Kingdom at the Agriculture and Fisheries Council on 23 January in Brussels.

Council opened with a presentation by the Maltese presidency on its work programme for the next six months.

This was followed by an update from Commissioner Hogan on the progress of EU trade talks, including a discussion of the findings of the Commission's report on the cumulative economic impact of future trade agreements on EU agriculture. The UK intervened to point out the benefits of an ambitious approach to future EU free trade agreements.

The Council then discussed the dairy market situation and the recent report on the EU milk package, along with ongoing outbreaks of avian influenza. Member states including the UK welcomed the fragile recovery of the dairy market. Commissioner Hogan stressed that the release of supplies of skimmed milk powder held in public intervention would be handled carefully to avoid any negative impact on the market. On avian influenza, the UK joined with several other member states to raise concerns about the impact of necessary disease control measures on free-range egg producers. Commissioner Hogan agreed that the Commission would examine policy options and report back quickly.

A number of other items were discussed under "any other business":

The Slovakian delegation provided information on the conclusions of the 40th conference of directors of paying agencies;

The Commission responded to a request for information regarding the scope of the Commission's powers to adopt delegated acts for exceptions from the rules on protected designations of origin for wines.

Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

[HCWS483]

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