

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT ECONOMIC CRIME (ANTI-MONEY LAUNDERING) LEVY (AMENDMENT) REGULATIONS 2023

Tuesday 21 March 2023

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 25 March 2023

© Parliamentary Copyright House of Commons 2023

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: JULIE ELLIOTT

Amesbury, Mike (*Weaver Vale*) (Lab)

† Baillie, Siobhan (*Stroud*) (Con)

Byrne, Liam (*Birmingham, Hodge Hill*) (Lab)

† Crosbie, Virginia (*Ynys Môn*) (Con)

† Dalton, Ashley (*West Lancashire*) (Lab)

† Davies, Gareth (*Grantham and Stamford*) (Con)

† Fuller, Richard (*North East Bedfordshire*) (Con)

† Grant, Peter (*Glenrothes*) (SNP)

† Green, Chris (*Bolton West*) (Con)

† Griffith, Andrew (*Economic Secretary to the Treasury*)

† Leadbeater, Kim (*Batley and Spen*) (Lab)

† Menzies, Mark (*Fylde*) (Con)

† Siddiq, Tulip (*Hampstead and Kilburn*) (Lab)

Smith, Henry (*Crawley*) (Con)

† Stephenson, Andrew (*Lord Commissioner of His Majesty's Treasury*)

† Thomas, Derek (*St Ives*) (Con)

† Twist, Liz (*Blaydon*) (Lab)

Seb Newman, Zereena Arshad, *Committee Clerks*

† **attended the Committee**

Third Delegated Legislation Committee

Tuesday 21 March 2023

[JULIE ELLIOTT *in the Chair*]

Draft Economic Crime (Anti-money Laundering) Levy (Amendment) Regulations 2023

2.30 pm

The Economic Secretary to the Treasury (Andrew Griffith): I beg to move,

That the Committee has considered the draft Economic Crime (Anti-money Laundering) Levy (Amendment) Regulations 2023. It is a pleasure to serve under your chairmanship, Ms Elliott.

The risk posed by economic crime is severe, and threatens the UK's security, prosperity and resilience. Our openness and our status as a global financial centre is vital to our nation's success. However, that great strength also exposes us to a range of economic crimes and to those who wish to harm UK businesses and individuals. In that context, there can be few objectives more critical than delivering a comprehensive response to economic crime.

That is especially important as we bear down on the Russian war machine in the wake of Putin's illegal invasion of our ally, Ukraine. That is why the Government expedited the Economic Crime (Transparency and Enforcement) Act 2022, which introduced key reforms to crack down on dirty money and hostile actors. We have gone further still by introducing the Economic Crime (Transparency and Enforcement) Act 2022, which built on the earlier Act to bear down further on kleptocrats, criminals and terrorists.

The instrument we are considering today is the final step in implementing the economic crime (anti-money laundering) levy, which is a core component of the Government's comprehensive and continuing response to economic crime. Announced at Budget 2020, the new levy aims to raise approximately £100 million a year to help ensure a sustainable funding model for action to tackle money laundering. The levy supplements approximately £200 million of additional Government investment to tackle economic crime over the 2021 spending review period. The funding will help to ensure a step change in our response by supporting the delivery of critical economic crime reforms, including commitments set out in the economic crime plan.

It is right that those sectors that give rise to money-laundering risk help contribute to countering that risk. That is why the levy will be paid by firms subject to the money laundering regulations only. I take this opportunity to thank the sector for their engagement throughout the levy-design process. The Government have worked closely with the industry and the levy collectors, including through policy and technical consultations. In doing so, we have ensured that the levy meets its objectives while aligning as far as possible with the core levy-design principles set out at consultation, including proportionality, predictability, simplicity and cost-effectiveness. The Government have delivered on those principles by ensuring

proportionate levy fees, with no business expected to contribute more than a tenth of a per cent. of their UK revenue; by implementing a carve-out for businesses whose annual revenue falls below £10.2 million so that smaller businesses, who make up the vast majority of all those otherwise in scope, are exempt; and by aligning levy policy across the three collectors as far as possible, while adhering to existing collector processes in places for the sake of simplicity.

This instrument makes provisions for assessments and calculations of levy due, levy enforcement through financial penalties, information provision and record preservation obligations, overpayments, reviews and appeals. It has been designed with close regard to the core levy-design principles, including proportionality. It is my hope that stakeholders will welcome the clarity this instrument provides on remaining areas of levy policy and implementation. I assure the Committee that each levy collector will shortly publish information that outlines how in-scope entities should engage with these processes and pay the levy.

Peter Grant (Glenrothes) (SNP): Could the Minister explain why all these amendments are being made now? Why were they not made when the original regulations were made last year?

Andrew Griffith: Last year's Act was the primary legislation that enabled the levy. Subsequently, there has been extensive consultation with stakeholders about the way in which we should proceed with that levy. We are considering the detail of those procedures today.

In the consultation, stakeholders emphasised the importance of clarity and transparency throughout the development and implementation of the levy. The Government share that view, and that is one of the reasons why we are dealing with this in stages. We are committed to delivering annual reports on the operation of the levy, including a breakdown of how the levy is being spent, and a comprehensive review by the end of 2027.

The new levy represents an integral part of the Government's comprehensive programme of work to ensure that economic crime finds no home in the United Kingdom, preserving this country's security, resilience and prosperity. I commend the regulations to the Committee.

2.35 pm

Tulip Siddiq (Hampstead and Kilburn) (Lab): It is a pleasure to serve under your chairmanship, Ms Elliott. The Labour party is completely committed to tackling economic crime. We welcomed the economic crime levy when it was first announced and we will support the regulations today. I want to raise a few questions and concerns with the Minister; they relate to the scope, effectiveness and transparency of the levy.

First, while the increase in funding provided by the levy is welcome, is the Minister confident that it will generate the necessary step change in economic crime enforcement? For example, as Spotlight on Corruption has highlighted, although it is called the economic crime levy, in reality it only covers money laundering. That means that the funds will not be invested in fighting other forms of economic crime such as corruption, fraud and sanctions evasion.

As the Minister may have seen, Transparency International has proposed that the Treasury re-invest the money recovered in the fight against economic crime, such as money seized by the Serious Fraud Office through its deferred prosecution agreement fines, back into enforcement to tackle fraud, corruption and money laundering. What assessment has the Minister made of that recommendation?

On accountability and transparency, the Government have failed to publish any information on what proportion of the funds will be assigned to law enforcement and how the effectiveness of the levy will be measured against enforcement outcomes. I hope the Minister can shed some light on that today. I would also be grateful if he provided clarity on how the Treasury will ensure full accountability of how the levy is used, and how decisions on resource allocation will be made.

2.37 pm

Peter Grant: The SNP certainly supports these measures; our concern is that they could have been in place a lot sooner. In some cases, they possibly do not go far enough.

According to the note from the Select Committee on Statutory instruments, of which I am now a member, two of the amendments are required because of previous defective drafting. I am becoming increasingly concerned about how often we see SIs being revised and revised—in at least one case, revised for a third time—because the attempts to draft them accurately had not been successful. That is not a criticism of those who do the drafting; it is simply the environment that the Government have created for them, with potentially 4,000-plus SIs having to be revised before the end of this year. It is certainly not possible to get them all right, all the time. Sometimes, the consequences of getting the drafting wrong can be quite serious.

These regulations could have been brought forward, and would have been welcomed, a long time ago. In effect, on money laundering, as with a lot of other problems with financial crime, the Government are playing catch up. They have been asleep at the wheel for far too long; for far too long, Russian dirty money could flood into the United Kingdom. It was not exactly welcomed by those in positions of power, but they certainly did not do very much to try to prevent it. The Government are now choosing to do something about it. They could have chosen to do something about it in 2014, and perhaps Putin might not have felt quite as invincible as he clearly does now.

London is recognised by almost everyone as a global capital for fraud and other forms of financial crime, as the hon. Member for Hampstead and Kilburn referred to. There is a lot in these regulations about a levy to combat money laundering. There are other forms of financial crime, particularly fraud against individual members of the public, which is now a billion-pound industry, and where we do not have the same arrangements to anything like the same extent. I would appreciate some kind of indication of when there will be a much more general compensation scheme for the innocent victims of investment fraud, pensions fraud and other forms of fraud, which are very much growing industries in Britain.

My final concern is not so much about the involvement of the Gambling Commission but about how effective it will be. Anybody who has looked at the problem of

severe addictive gambling in the United Kingdom, which is becoming a health crisis almost as severe as covid, knows that that the Gambling Commission has proven to be absolutely toothless—whether because of a lack of interest, funding, resources or legislative powers—in its current main job, which is to regulate the industry and make sure it is not dragging people into problem gambling against their will. Will the Minister indicate what additional resources it will be given to ensure it is resourced for the additional responsibilities it will have through these regulations? Its resources, which are already inadequate for dealing with problem gambling, must not be spread even thinner because its members of staff have to administer additional levies.

The amendments to the regulations are about three times as long as the regulations themselves—always a sign that the regulations may have been either rushed through or not adequately thought about when they were first presented. I hope that neither I nor anybody else will have to be on a Delegated Legislation Committee in six to 12 months to agree further amendments to the regulations because we still have not got the drafting right. That is not a criticism of the people doing the drafting. They do a good job, but they are only human, and they have only 24 hours in a day and seven days in a week. They have been given far too much work and far too little time to complete it.

2.41 pm

Andrew Griffith: I do not want to detain the Committee any longer than necessary, but I ought to respond to one or two of the points raised by the hon. Member for Glenrothes. I am slightly at a loss: are we moving too fast or too slowly? One person's revised SI is another person's reflection of consultation that results from listening to the industry and a desire to get things right. I accept that this was not his intent, but there was some implied criticism of the hard-working officials who are doing their best to reconcile the needs of transparency with this House and the desires of the sector.

Peter Grant: For clarification, the people drafting the legislation are having to do it at pace because they have been lumbered with 4,500 bits of legislation that they would not have had to revise were it not for the Government's political dogma.

Andrew Griffith: We will let that matter rest. On one level, I share the hon. Gentleman's desire for a smaller state and less legislation, but defending our country from money launderers is perhaps not the best place to start that deregulatory zeal. We can come back to that.

From his work on the Financial Services and Markets Bill, the hon. Gentleman is aware that the Government are introducing measures to protect customers and the victims of push payment fraud, which is very concerning. The quicker that Bill completes its journey in the upper House, the quicker we can get it on the statute book. The £1 billion that he referred to concerns all of us on both sides of the House.

I am not aware of the Gambling Commission having expressed concern. It has been consulted throughout, and collecting levies is within its core purpose. I will of course be open to advisement on that. That is one of the reasons why a review is baked into the regulations. It is a piece of good, proportionate best practice that in

[Andrew Griffith]

2027 there will be a formal review. I undertake today that the outcome of that review will be brought to the attention of the House.

It is always a pleasure to respond to the hon. Member for Hampstead and Kilburn. She raised the important work of Transparency International. Although this is the final piece of this particular set of economic crime legislation, it is of course not the whole of our anti-fraud strategy. My hon. Friend the Security Minister has told the House that that will come to this place very shortly. I ask all parties to look at that and consider the strategy in the round, together with the Government's anti-fraud strategy.

The hon. Lady asked me to publish how the levy will be used. Of course, the point of the levy is to build a fund to enhance the overall level of resources available

to crime fighters. That could be for a range of purposes, including more intelligence, better reporting infrastructure and more personnel devoted to this area. It will only be in due course that we are able to see where that money is spent. I undertake to the Committee that we will publish an annual report on how the levy is spent. The hon. Lady is right that it should attract proper scrutiny. As she understands, it is only one part of the resources available to our police, anti-fraud initiatives and crime fighters.

Question put and agreed to.

2.45 pm

Committee rose.

