

The reality of the Overseas Territories

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Hansard reported a debate that took place last Thursday on the British Overseas Territories. The following is an [edited selection](#) from that debate:

Sir John Stanley (Tonbridge and Malling) (Con): [T]his is the first time for well in excess of 15 years that the Foreign Affairs Committee has carried out an inquiry into the overseas territories en bloc, although we have dealt with them in a considerable number of other reports. “The present report was, however, a major undertaking, and I am glad that hon. Members have an opportunity to debate it and the Government’s response.

For reasons that will become apparent, I shall focus much of what I want to say on the Turks and Caicos Islands. Before I do, however, I want to cover two other issues. I start with an important comment that the Chancellor of the Exchequer made in his statement following the G20 summit, when he said:

“We will also take action to protect the world’s financial system—and, therefore, our public finances—by cracking down on tax havens, and we note that the OECD has today published a list of countries assessed by the global forum against the international standard for exchange of tax information.”

In his subsequent contribution, the Liberal Democrat Front-Bench Treasury spokesman, the hon. Member for Twickenham (Dr. Cable), asked a very precise and pertinent question of the Chancellor:

“Can the Chancellor say how many of the countries listed today by the OECD as non-compliant are British dependent territories?” [Official Report, 2 April 2009; Vol. 490, c. 1137-43.]

â€š,â€š,â€šThe answer to the question asked by the hon. Member for Twickenham as to how many overseas territories are on the OECD's "name and shame" tax haven list is seven. â€š,â€š The fact isâ€š,â€šthis is a matter of considerable concernâ€š,â€šthat more than half of our British overseas territories are on the OECD's "name and shame" list for tax havens. â€š,â€š [T]he ultimate responsibility for ensuring that all seven of the British overseas territories that I mentioned are removed from the OECD's "name and shame" list still lies with the British Government. â€š,â€š,â€š

I want to discuss the Turks and Caicos Islands. I was grateful to the hon. Member for Hyndburn (Mr. Pope) for his generous personal comment at the outset of the debate. I was very glad that the hon. Gentleman and the hon. Member for Hereford (Mr. Keetch) were in our trio of Committee members; they both made the most incisive and persistent contributions to unravelling what was going on in the Turks and Caicos, during our visit and subsequently.

All members of the Committee would agree that when we started our inquiry into the overseas territories we did not have any very clear ideaâ€š,â€šbecause we were waiting to see what evidence we would receiveâ€š,â€šwhich of them we would be able to visit. We were not going to be able to visit them all. They are spread, as the House knows, from the Pacific ocean through the Indian ocean to the Mediterranean, across the Atlantic and into the Caribbean: we would clearly have to pick carefully, given the time available to us, the territories that we would go to, even when we were splitting into three separate groups. It was apparent to us within a matter of weeks of issuing our press notice and calling for memorandums of evidence that a visit to the Turks and Caicos Islands would be among the highest priorities for the Committee in the course of the inquiry.

The memorandums that we received were unprecedented, in my experience on the Committee, with respect to their volume and, sinisterly, in the degree of fear that lay behind them, for those submitting them. Considerable numbers were sent anonymously because people were not prepared to divulge their names. A significant number came from people who were prepared to give their name, but who submitted the memorandum on the basis that it should be entirely private and confidential and would not be published, and that they would not be identified. Only a very few were put to the Committee on the basis that both the terms of the memorandum and the name of the sender could be published. Those appear in our report.

Mr. Pope: One of the things that I found most shocking on Turks and Caicos was that citizens of a British overseas territory were afraid to be seen in public with Members of this House, afraid to give evidence and afraid even to be seen at a reception talking to us. The only other places I have been to on overseas visits where people were in fear of talking to me as a Member of Parliament are places such as the People's Republic of China. Does the right hon. Gentleman agree that that was a shocking thing?

Sir John Stanley: . The written evidence clearly demonstrated that there was a climate of fear. When we arrived there, that was wholly confirmed. We had to arrange meetings with individuals who were prepared to see us only on condition that the place, date and time of the meeting remained absolutely a secret. Some were not prepared to see us at all, under any circumstances, because they feared that it would result in reprisals against them.

My experience was exactly the same as that described by the hon. Member for Hyndburn. The only other occasion on which I as a member of the Committee have had to meet people in such circumstances was on visits that the Committee made to the People's Republic of China, when we had to take steps to meet political or religious dissidents in certain circumstances. That is the only other time when meetings had to be conducted in such a way, and it was truly shocking to us that such a situation was prevalent in a British overseas territory.

The Committee recommended that a commission of inquiry should be set up. The Foreign Office, to its credit, accepted the recommendation and announced the setting up of a commission of inquiry within days of our recommending it. The interim report of Sir Robin Auld has wholly vindicated our recommendation and the decision of the FCO to accept it. I shall give the House just a few sentences from Sir Robin Auld's interim report. He stated that the Government of the territory

"is at a near stand-still. The Cabinet is divided and unstable...The Territory's finances are in dire straits and poorly controlled. There is a settled pattern of recourse to disposals of Crown land to fund recurrent public expenditure, for want of governmental revenue from other more fiscally conventional sources. I should have added that the financial position is so bad that the Government cannot pay many of its bills as they fall due. Governmental and other audit recommendations lie ignored and unattended. In short, there are wide-spread fears on the part of the people of the Territory that they are leaderless and that their heritage is at risk of continuing to drain away...I am also satisfied on the information before me under Part (a) of the Commission's Terms of Reference of a high probability of systemic corruption and/or other serious dishonesty involving past and present elected Members of the House of Assembly and others in recent years."

Andrew Mackinlay: Does not what the right hon. Gentleman has read out from the report of the independent inquiry appointed by the FCO say something about the stewardship of the Foreign Office over many years? Its man was there— I am not referring to any particular individual but to governor after governor. There is something wrong in London as well as in the territory on the stewardship issue.

Sir John Stanley: I am not totally surprised that such a situation could arise in an overseas territory, as they have some considerable vulnerabilities. In this overseas territory there is a very small electorate of some 12,000 people, which is about the size of a single county council ward in my constituency. That is the totality of the electorate. Combine that with the fact that we found, extraordinarily, that while people were Ministers they were able to make pots of money for themselves, for members of their family and for their political cronies, and frankly, a corruption and bad governance disaster is waiting to happen, and that is precisely the situation in the Turks and Caicos.

What surprised me more than that actually occurring on the Turks and Caicos Islands was that the Foreign Office seemed to be so oblivious for so long as to what was happening. I can only take the Foreign Office's position at face value on the basis of the memorandum that it submitted to our Committee at the start of our inquiry. I give the House the opening sentence, which states what the memorandum was meant to be about:

"This memorandum is provided in response to an invitation from the Select Committee on Foreign Affairs to provide information on the exercise by the Foreign and Commonwealth Office of its responsibilities in relation to the Overseas Territories and the FCO's achievements against Strategic Priority No 10, the security and good governance of the Overseas Territories."

That is what the memorandum was all about. ***I reread it, and there is not one whiff of a reference to corruption, or to anxiety or even worry about what was happening on the Turks and Caicos Islands.***

The Committee was in an extraordinary position: we received a lavender-scented memorandum from the Foreign Office at the same time as we were being bombarded with distinctly malodorous memorandums from the Turks and Caicos Islands across the Atlantic.

Only one of two conclusions can be drawn from such a situation. If one were cynical I am not one could say that the Foreign Office was out to pull the wool over the Committee's eyes, to mislead the Committee. I do not believe that that is the way in which present Ministers or their officials would wish to conduct themselves before the Foreign Affairs Committee. If one takes the view that the Foreign Office was not trying to pull the wool, I am afraid that only one other conclusion can be drawn: the Foreign Office was asleep on the job, or most certainly half asleep, and it simply had not woken up to what was happening on the Turks and Caicos Islands.

Andrew Mackinlay (Thurrock) (Lab): *I will not detain the House long, because*

my two colleagues have covered a lot of territory, in more ways than one, and very effectively, but I want to pick up one or two points. What disturbed me— I think you will share my view, Mr. Bercow—is the uncertainty of our assumption that the House is ultimately the Parliament for all the overseas territories. They may have delegated legislatures, but if the House decides to go to war, those territories go to war. They do not have an opt-out. This is their Parliament, and the UK Government can rescind and vary their constitutions as and when they wish.

We cannot escape our responsibility, but when we embarked on the inquiry, we discovered that there was uncertainty about whether Westminster parliamentary privilege extended to the overseas territories. I have no doubt that it does, and I was deeply disappointed that there was doubt about that. That raises important constitutional issues, and when the House considers privilege in relation to other matters, there should be no doubt that, if the writ of this place has any meaning whatever, parliamentary privilege must extend to every overseas territory. I hope that that can be addressed with dispatch, not by the Government—it may suit them if parliamentary privilege is not recognised as extending to overseas territories—but by the House. ¶.

The issue underlines the wholly inadequate arrangements for oversight by the House of our legal and moral responsibilities for people in the overseas territories peppered around the world. It is a disgrace that, when we call ourselves a democracy, some people are denied access to this place. I regret that I could not persuade my colleagues to incorporate a robust recommendation in the report, but I invite them and the House to reflect on the matter. It is unacceptable that the overseas territories have no representation in or access to this place. As I said—I am not being flip—if we go to war, they go to war, yet they are denied that access. That is almost unique for overseas territories.¶

The right hon. Member for Tonbridge and Malling (Sir John Stanley) indicated that for years the House had assumed that the Governor of the British Virgin Islands—I am not referring to a specific individual—was competent, but that is now a serious issue. It has become clear that Governors have been incompetent, because there was no reporting back or flagging up of anxieties and there was poor governance. There was acquiescence through silence to a thoroughly unacceptable situation. We have no way of knowing whether those people are good, bad or indifferent. ¶

I intervened rather testily on the right hon. Member for Tonbridge and Malling, who was outlining things very well, but ***I just find it amazing that British Ministers have the audacity to get up at the Dispatch Box in the House of Commons and refer to the OECD list of jurisdictions that are deficient in terms of compliance on taxation, disclosure and so on when among them is at least one territory***

where the person in charge of all those things is appointed by the Foreign and Commonwealth Office—, by the Foreign Secretary. Frankly, if there is a deficiency, the people to blame are the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer. Probably their officials in Whitehall have not told them the naked truth. I am telling them this afternoon: they are both the same and they are both to blame. I hope that some of the financial papers pick up on this and the Finance Ministers in the other countries will note that they cannot pretend that it is a remote problem that they are trying to get their hands on. This very afternoon, I am telling them that they are to blame. That should be addressed with some dispatch.

I think the debate remarkable:

- 1) It shows the corruption that is possible in a small state over-run by the finance industry;
- 2) It evidences the small return that industry pays to those places;
- 3) It evidences the fear of those who live in these places in opposing what is happening to the place they rightly think of as their home;
- 4) It loudly and clearly says this is a UK responsibility — and we can do what we like to resolve it;
- 5) It says exactly the same of the issue of OECD compliance;
- 6) It suggests these problems are at least in part of London's making.

And note this is a cross-party committee of the House of Commons. Not a Tax Justice Network delegation.

I think the evidence is unambiguous. Turks & Caicos is the worst, maybe, but the rot has to be stopped throughout the overseas territories and in the Crown Dependencies as well.

There is a need for action, now. Anyone writing to [**Michael Foot**](#) ***might like to refer to this debate.***