

# If you want evidence that secrecy jurisdictions are use...

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If you want evidence that [secrecy jurisdictions](#) are used to harm the poor then an article in the [Independent on Saturday](#) provided it. Given its importance I have reproduced most of it, and hope they'll forgive me:

*According to the World Bank it is the second poorest country on the globe — a place where 84 per cent of the population scrapes by on less than \$1.25 a day. And yet Liberia was this week told by the High Court to pay \$20m it can't afford to two shadowy offshore vulture funds which now have carte blanche to seize what meagre assets the country holds in the UK.*

*This case was brought by the British Virgin Islands-registered Hamsah Investments and the Cayman Islands-registered Wall Capital.*

*They now hold the rights to a \$6m loan advanced to the country in 1978 by the US-based Chemical Bank. The money was lent at a time when rich countries and rich banks were falling over themselves to lend to developing nations, with disastrous consequences. The money was transferred before the civil wars which devastated Liberia and since then the debt has passed through a myriad of hands. No one has any clear idea of how much — if any — has been repaid, a situation not helped by the conflicts that raged between 1989 and 2003, resulting in the loss of thousands of lives and reducing real gross domestic product by 40 per cent.*

*Mr Justice Burton appeared to be less than delighted at the ruling the law forced him to make — which recognises an earlier US judgment — saying: "The only issue raised is plainly a sad one, that Liberia is a poor country, and cannot afford it."*

*In a statement issued by the Ministry of Finance, Liberia said it had effectively been left facing a "David and Goliath fight" and "does not even know who is behind the companies that are bringing the claim as they are both registered in tax havens in the Caribbean".*

*The fact that the international financial crisis is "imposing tremendous strains on our*

*budget and limiting our ability effectively to reduce poverty" (a statement backed up by the most recent report on Liberia by the International Monetary Fund) appears to cut no ice with the shadowy figures behind the funds.*

*They were represented by the London office of the Philadelphia law firm Dechert, whose spokeswoman did not return calls yesterday.*

*Often, says Jonathan Stevenson from the Jubilee Debt Campaign, such funds are set up on an ad-hoc basis, buying up individual debt, pursuing the matter through courts and closing when they have extracted their pounds of flesh. However, Hamsah has popped up before.*

*Debts to commercial entities rather than to governments are what the vultures target — with most of the afflicted countries either already in receipt of sovereign debt relief or working through the qualification process with the International Monetary Fund. But can anything be done to curb the activities of these businesses, which are, after all, operating within the law?*

*Mr Stevenson says Jubilee is not opposed to trading in debt through the secondary market per se — it serves a purpose and without it people might be much less willing to offer loans to those that need them.*

*But he says there is a solution to the problem of the vultures and it lies with legislation to limit the amount that they can realise from launching cases through the UK courts. Jubilee suggests that capping the profits a vulture fund can make, at say 10 per cent, would do the trick. The idea would mean a vulture buying a debt for \$2.5m would only be able to make \$250,000 on top of that rather than the face value.*

*The UK Treasury is not unsympathetic to the views of the campaigners and has been looking at the issue. A spokesman says: "The Government calls on all creditors of Heavily Indebted Poor Countries to provide their share of debt relief and strongly oppose those that instead pursue full repayment through the courts.*

*"Going forward the Government is looking at the issues raised by our recent consultation on changing the law and, if these can be resolved, we will support legislation."*

*But there was nothing in the Queen's Speech and the charities are concerned that this means the issue is not a priority. They also fear that the Conservatives may not be as amenable to taking action if they make up the next government.*

*There is, though, the possibility of a private member's Bill, and with government thinking favouring action, that could be a route through which legislation to muzzle the vultures could be achieved.*

*Of the most recent private member's ballot three of the MPs in the top five signed an*

early day motion sponsored by Labour's Sally Keeble which called on the Government to support a new law. All Labour MPs, they were Dr Brian Iddon, who topped the ballot, followed by Albert Owen and Julie Morgan, who came in fourth and fifth. So far none has been willing to commit — it is not unusual for MPs finishing at the top of the ballot to find themselves besieged by requests. But given the problems faced by countries like Liberia, the charities say action is needed now.

Martin Hearson, policy officer at ActionAid, says: "Like the fund that successfully sued the Republic of Congo earlier this year, the two vulture funds in the Liberia case are based in Caribbean tax havens. It's outrageous that they can profit so much from poor countries while hiding behind the veil of secrecy on these islands. Vulture funds that try to sue through the High Court in London should be forced to come clean about how they do business."

And Mr Stevenson says: "It's outrageous that it's still legal for these appalling companies to profiteer from countries as poor as Liberia. Vulture funds don't have to tell us anything about themselves because they're registered in tax havens — they can just turn up in London and sue one of the poorest countries in the world for millions. We urgently need a new law so that this is the last time a vulture fund swoops through the British courts."

Is it a chance that BVI and Cayman are being sued for this abuse? Not at all.

And all those who support the secrecy these places provide to facilitate this abuse should be ashamed of themselves. By offering your excuses you will, undoubtedly, be causing hardship beyond imagination and death as well.

Which is why I campaign for the abolition of secrecy jurisdictions — the BVI and Cayman included.