

British banks aren't doing enough to tackle money laund...

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[Global Witness](#) is a partner of Tax Research LLP in the [Task Force on Financial Integrity and Economic Development](#). Global Witness has done stunning work on corruption issues and so it was right that today it welcomed recognition by the Financial Services Authority (FSA) that the majority of Britain's banks are failing to do enough to identify corrupt money from abroad and that it is 'likely that some banks are handling the proceeds of corruption'.

Global Witness has repeatedly called for a new approach by the regulator to identify and punish those banks that fail in their requirements to identify their customers and their source of funds, particularly customers who are senior officials of other countries, known in the industry as 'politically exposed persons' (PEPs).

'Many of the failings identified by the FSA are the same as those it found ten years ago after £1 billion stolen from Nigeria by Sani Abacha came through London banks. This reflects terribly on the FSA's softly-softly approach over the last decade, and makes it very clear why Egypt is now seeking the return of corrupt Mubarak funds from the UK. Neither dictatorship nor corruption can occur without banks willing to help,' said Anthea Lawson, head of the banks campaign at Global Witness.

'For too long Britain's banks have been happy to accept money stolen from developing countries by corrupt rulers and their families. This review shows we need a radical new approach from the banks, and a strong commitment from the FSA to ongoing monitoring and punishment which acts as a proper deterrent; they cannot wait another ten years then do a review of what's gone wrong,' said Lawson.

Last year [Global Witness revealed that HSBC, Barclays, Natwest, RBS and UBS](#) had accepted millions of pounds for two Nigerian state governors who had been accepting bribes. British aid to Nigeria is set to double by 2014; Global Witness believes the impact of this UK taxpayers' money is undermined if British banks are facilitating corruption and the loss of Nigeria's oil income.

Most recently, [Barclays was revealed to have allowed Teodorin Obiang](#), son of the

president of Equatorial Guinea, to purchase 18 million Euros of art auctioned from the estate of the late Yves St Laurent, through an Obiang-controlled company account held with the bank. Teodorin earns a salary of about \$6,000 a month as a minister in his father's government yet is renowned for his luxurious tastes, including a \$35m mansion in California.

The FSA's findings include:

- * Three quarters of banks reviewed are not doing enough to establish the legitimacy of their customers' source of wealth — some in situations where they had adverse information about their customer's integrity;
- * At least two banks have been referred to enforcement with 'serious weaknesses' in their systems and controls for managing high-risk customers, including PEPs;
- * A third of banks are failing to do enough to identify PEPs;
- * Half of banks are not reviewing their high risk and PEP relationships regularly;
- * A third of banks dismissed serious allegations about their customers without adequate review;
- * A third of banks do not keep adequate records of their high-risk and PEP customers, impeding their ability to assess money laundering risk;
- * Some banks had inadequate safeguards to mitigate conflicts of interest on the part of their relationship managers;
- * Many relationship managers are rewarded primarily on the basis of profit and new business, regardless of their performance on anti-money laundering issues;
- * There is inadequate handling of the risks presented by correspondent banking relationships.