

Jersey: a deliberate base for money laundering

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The [Telegraph reports this morning that](#):

The tax authorities have obtained details of every British client of HSBC in Jersey after a whistleblower secretly provided a detailed list of names, addresses and account balances earlier this week.

The Telegraph understands that among those identified on the list are Daniel Bayes, a drug dealer who is now in Venezuela; Michael Lee, who was convicted of possessing more than 300 weapons at his house in Devon; three bankers facing major fraud allegations and a man once dubbed London's "number two computer crook". A series of other accounts containing six-figure deposits are also registered to modest addresses in relatively poor parts of the country.

The disclosures raise serious questions about HSBC's procedures in Jersey, with the bank already preparing to pay fines of around \$1.5 billion in America for breaking money laundering rules.

The bank is legally obliged to report to the authorities any suspicions about the source of money deposited in its accounts.

Read the rest of the account to get the true flavour of this: the accusation is a simple one, which is that HSBC has turned a blind eye to money laundering and tax evasion in its Jersey operation. Given that when assessed by value of fines paid HSBC is now the uncontested lead money launderer to the world there's no surprise about that allegation, although I will comment on it in another blog.

So let's turn to the issue of Jersey. For years politicians from Jersey have crowed that they don't want money laundered funds, and Jersey Finance has crowed that they are one of the [best regulated locations in the world](#).

But as I've always said, that's only on paper. It is, for example, easy for Jersey to comply with its regulation on offshore companies filing tax returns: it doesn't ask them to make a return and as a result has a 100% success rate. And passing laws is one

thing, applying them another. To date this has been almost ignored by inspections.

I hope no more, because as this new suggestion reveals, behind the facade Jersey looks to have been what I have always and persistently, and much to Jersey's annoyance, suggested. It is a tax evasion and money laundering centre. That is not by chance; it is by design. [As I wrote this year](#) (but have been doing in similar view on this blog since it began):

Earlier this year I sat in the boardroom of one our leading banks, opposite the Chairman and told him and his co-directors that their bank wilfully ignored tax evasion in Jersey and failed to report reasonable suspicion as required by Jersey law that their customers are money laundering.

I knew I was right. The bank in question has a major operation in Jersey. It handles the accounts of many people from the UK who bank in that island. And Jersey deliberately and wilfully refuses to cooperate in full with the European Savings Tax Directive so that banks working there — including the bank in question can operate two systems with regard to disclosure of interest paid to their UK based customers. Under one system the customer can opt for the interest earned to be declared to HMRC in the UK as would happen if the account were maintained by the bank in the UK mainland. They then get paid their interest gross. Under the other system tax is deducted at 35% — less than all the UK higher rates of tax — and the UK HMRC are not told anything about the account — they just get part of the 35% that has been deducted.

Jersey still operates this second system for just one reason — that it meets the needs of those using the island for tax evasion. I know that is true. The only purpose of the European Savings Tax Directive is to tackle tax evasion so the only reason not to fully comply with it as Jersey does not is to help tax evasion.

I do not know how many customers of the bank in question opt not to tell HMRC of the income they earn, but they have confirmed some. On average the split seems to be about 50/50 now.

Now suppose you are bank money laundering officer in Jersey. Your job is to report any transaction where you have suspicion that tax evasion and money laundering is taking place. A customer declines to have information on their earnings sent to HMRC even though you know they are resident in the UK. Must you in that case at least suspect they may be tax evading? Of course you must at least suspect it — it would be impossible not to do so without categoric proof that the customer is declaring the income — which the bank does not ask for you could not apid that suspicion except by lying. And since suspecting tax evasion in the UK is specifically a reason for reporting suspected money laundering in Jersey then every bank in Jersey that has a UK customer who declines to have the details of the interest they earn sent to HMRC must primarily facie send, without exception, details of the customer in question to the Jersey authorities as a suspected money laundering case. I follows like night does day.

Except that never happens. The banks deny that this is required. And the Jersey authorities turn a blind eye to it.

There is wilful neglect by UK banks based in Jersey to report money laundering based on very obvious simple cases of tax evasion through their banks. It must be so much easier to get away with blatant money laundering as a result.

The bank I sat in was not HSBC. But you all know its name. And they did, by the way completely deny the allegation in writing, as no doubt HSBC would have done if I had said it to them.

I don't believe the bank I spoke to.

I never believed HSBC.

But most of all I don't believe Jersey. You cannot deliberately set up a system that is solely designed to help money laundering and tax evasion and then say you are shocked it is happening.

Jersey's offshore industry is based on crime. I've always said so. I still do. The evidence is undeniable. And HSBC is not just a "bad apple".

And that's why Jersey, along with the Isle of Man, Guernsey, Cayman, BVI, Gibraltar and other locations under direct British control, has to be stopped from pursuing its criminal activities.