

An analysis of the government's new plan to crack down ...

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I share this blog [with the permission of Robert Palmer of Global Witness](#), whose own work in the area has been outstanding:

Today the government [released a new plan](#) for how it intends to tackle money laundering and terrorist financing. It's a good document and includes a number of helpful proposals. However, it captures only part of the picture. As the Panama Papers demonstrated, the [UK tax havens are one of the key routes](#) for corrupt officials and other money launderers to hide their money. The UK's commendable efforts outlined in this paper will be drastically undermined if the UK tax havens don't open up. [Next month's corruption summit](#), which will be hosted in London by David Cameron, is a perfect opportunity to make this happen.

Here's my quick analysis of what's in the document.

The good:

- * ***There is a welcome emphasis on sharing information.*** The plan includes concrete proposals to ease the exchange of information between banks and various government agencies, including law enforcement, and the sharing of information between banks themselves. This is important because at the moment it's easy for criminals to hop from one bank to another, evading scrutiny. More collaboration will hopefully make this harder and banks can do a better job of targeting their efforts on the highest risk customers.
- * ***Reform of the suspicious activity reporting (SAR) regime is on the table.*** At the moment just under 400,000 SARs are filed each year by banks and other professionals when they suspect that a customer might be involved in money laundering. However, law enforcement can only act on a fraction of those reports, and banks complain — reasonably in my opinion — that they get next to no feedback on the reports they submit.
- * ***The government is planning to step up its efforts to recover stolen assets.*** A powerful new tool will be introduced: the "unexplained wealth order". This would allow

law enforcement to seize assets where wealth can't be explained, subject to judicial oversight. This is a real success story for our allies at [Transparency International-UK, who have been campaigning for such orders](#). **This new tool will be particularly important where the crime has been committed overseas, but the money stashed in the UK, and it's difficult to get cooperation with foreign governments. This is a particular problem when it comes to going after the assets of corrupt officials who are still in power, where cooperation is unlikely.**

- * **The system of supervising banks, lawyers and other professionals who are key gatekeepers to the financial system will be reviewed.** In the plan, the government acknowledges that the current supervisory system "is not working as well as it could". This is an understatement. Outside of a few fines issued by the Financial Conduct Authority to banks, there has been pretty minimal enforcement of the anti-money laundering system. The supervision system in the UK is disjointed and spread across 27 different regulators, including the Archbishop of Canterbury, who regulates notaries. The government has promised to review how the system works and is calling for evidence.
- * **The plan includes clear timelines and lead agencies.** It also promises more metrics on money laundering prosecutions and asset recovery. This can only help to hold the government to account.

What's missing:

- * **There is nothing in the document about the need to hold senior managers to account when things go wrong.** Global Witness' [Banks and Dirty Money report](#) laid bare how the current impunity for senior bank managers is allowing corrupt money into the UK. The UK government has recently introduced a new "senior managers regime" to try and deal with the problem, but [it's still to be seen](#) whether this will be properly implemented.
- * **Getting the regulatory architecture right is obviously important, but this will only work with proper implementation and resourcing.** The document makes no mention of extra resources to fund the proposed changes.
- * **The report states that "investor visa regimes around the world... have been criticised as representing a quick money laundering route for corrupt foreign individuals".** It's great this is now recognised as a corruption and security risk for the UK, and the government has taken steps to plug some of the gaping holes in the system. That said, it doesn't mention what it plans to do about the almost 3000 people who entered the UK under this scheme between 2008 and 2015, when minimal checks were in place to ensure funds were legit.
- * **Earlier this month, Transparency International-UK raised serious concerns about plans to undermine the independence of the Serious Fraud Office,**

which prosecutes significant financial crimes. According to TI-UK this would be a step back, with their Executive Director, Robert Barrington saying: "Industry experts are agreed that with proper funding, the SFO has the attributes to do the job: including combined teams of investigators and prosecutors, having corruption as a priority and independence from political interference." These concerns aren't addressed in the plan.

* **The UK tax havens have agreed that they will have closed registers of the real owners of companies with UK law enforcement having access.** But what about other countries accessing this information? Why won't the tax havens match what the UK is doing and have fully public registers?

* **Finally, the report claims that charity funds can be diverted to finance terrorist organisations and that the Charity Commission will be looking at the problem.** However, groups such as the [Charity and Security Network](#) have argued that there's little evidence that the charity sector poses a particular threat and that Counter Terrorist Financing Laws can hinder the ability of charities to operate in fragile countries that most need support. The new plan contains little on how the government will help charities keep money flowing to these areas.

To me the resources issue is vital: it is also where I expect this to all fall down.