Funding the Future

It's not by chance that the UK is the centre of corpora...

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The Guardian has today reported massive money laundering through UK banks: some $740 million is alleged to have be n illicitly laundered in the UK. Almost inevitably, it seems, HSBC was was the main bank used. The story is important for highlighting banking weaknesses, yet again. But there is a dimension to the story that I think is at least as important. As the Guardian notes:

The trail led investigators to 96 countries and to a network of anonymously owned firms, **most of them registered at Companies House in London.** Most of the 21 core companies under scrutiny have been dissolved.

The emphasis is mine and deliberate. Let's ignore the fact that Companies House is in Cardiff and concentrate on why British companies are used. There are five good reasons.

First, forming companies in the UK is cheap: just a few pounds buys you a company.

Second, you don't even have to sign any documents to form a company in the UK. It can all be done electronically.

Third, no proof of identity is ever required. The only thing Companies House will ever check on a form is the postcode (I am not joking).

Fourth, you can ignore all HMRC requests for data on the company and if you do they assume you are not trading and ask for no more information for five years (again, I am not joking).

Fifth, if you fail to file any of the data due to Companies Houese (an annual return or annual accounts) they almost never penalise the company: in practice they make no practical enquiries and simply wipe the company off the Register of Companies without ever bothering to find out what it might ever have done. The crooks record is wiped clean for them as a result of simple inaction.

You could not make up a better system for the encouragement of fraud.

The reality is that the UK has no company regulator. It has a wholly ineffective Registrar, which is bad enough. But it has no regulator at all.

And the UK has a voluntary corporation tax system because non-compliance is completely tolerated by HMRC who assume by default that any company that does not file information with them is not trading and so can owe no tax without almosty ever seeking evidence to confirm whether that is true or not.

And this is not accident. This is by design. We do not regulate because successive ministers have thought that admin kills the entrepreneurial spirit (which in extremis has an element of truth to it but most certainly does not demand its absence) whilst ignoring that a failure to regulate permits massive tax abuse and fraud that poses a far greater threat to effective markets. It is wholly misplaced pro-market dogma has made the UK a centre for corruption. Successive ministers should hang their heads in shame, as should the current incumbents if nothing is done. I suspect that will be the case. Our ministers hate tax and regulation so much they'd rather permit fraud instead. That's the reality of this country in 2017.