

What should sanctions look like?

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Boris Johnson announced sanctions against Russia yesterday in response to its invasion of Ukraine that made him and his government look like a laughingstock. Five banks and three oligarchs, each of whom had already been sanctioned in the USA for some time, will now face UK sanctions that are likely to have little impact upon them, or Russia. The words 'token' and 'gesture' are too good to describe such inadequate measures in the face of Russian aggression against Ukraine.

For the record, saying this does not mean that I am suddenly delivering a pro-establishment line, as some from the left are seeking to claim. Nor am I seeking to exonerate some of the actions of the Ukrainian government, where corruption appears to be rife. Nor am I ignoring the actions of NATO states, where I think some actions have been inappropriate. I am quite firmly of the opinion that at present Ukraine would be as useful a member of NATO or the EU as both Hungary and Poland are currently proving to be. However, none of this exonerates the actions of Putin and his oligarchs within the kleptocracy that rules Russia, and so I think robust sanctions are now required to address the issues that have arisen and to end for good the industrial levels of money laundering in the UK.

I [explained my reasoning](#) for demanding new sanctions on Russia on Sunday. As I argued then:

This [conflict] is about illicit behaviour. Russia has no right to Ukrainian assets. But then, many Russian leaders' claims over assets are illicit. But that is also true of many Ukrainian leaders' claims as well. We need to understand the consequences.

There have always been illicit claims to assets. What has changed is that in the last forty or so years the mechanisms for making those claims have been widely promoted in the name of supposed economic freedom.

All the apparatus of tax havens, backed up and supported by the City of London, has been used to facilitate illicit claims to which blind eyes have been turned.

As I then noted

Why does this matter? Because what the West has very clearly said for a long time is that the UK and other countries will turn a blind-eye to Russian illicit assets and as a result Russia has come to believe that making claim on such assets is acceptable.

I think that Putin's belief in our turning a blind eye extended to his expectation that we would ignore the claims he has been making on Ukraine. We created his belief that he could get away with whatever he wanted. Johnson's pathetic sanctions will only confirm that, in my opinion.

As a consequence, I argued:

There is a war needed now. It is a war on corruption that is required.

The City has to swept clean, and if that means lawyers, bankers and accountants cannot survive the process, so be it.

Tax havens need to be consigned to history.

If we are to eliminate the risks arising from avarice, from corruption, from illicit behaviour, and the noddled complicity with this that countries like the UK have provided, then we need genuine transparency.

There is, however, a very particular dimension to this. As I also said:

We are suffering the consequence of limited liability. Putin has limited liability in one sense for his actions in Ukraine. He and we know that.

But we are also suffering the consequence of the abuse of limited liability companies that have been used to hide actions from view without belief that consequences follow.

That has to change. We need details of ownership and the full accounts of every limited liability company on public record now, without any exceptions. That is the price we must pay to end corruption.

If we need action as a result of what is happening in Ukraine it is that we need this renewed focus on transparency and accountability. They are really what democracy is all about. And we have forgotten that fact.

There is no transparency and accountability in Russia, but there is precious little here in the UK either, in truth.

So what do we need now? In other words, what would I have expected to make sure that we can now sweep away the opacity, corruption and basic fraud that is destroying UK markets, UK credibility as a finance centre, and our way of life? I suggest a number

of things.

First, we need a massive increase in the resources required to police corporate corruption in the UK. These resources are easy to find. It costs £12 a year to have a UK company. If we think it will be appropriate to charge £20 for a pack of lateral flow tests from 1 April then we can charge a great deal more for the privilege of limited liability. I suggest an annual fee of at least £250 a year for a company. There were, according to Companies House, 4,837,908 companies in the UK at 31 December 2021, which includes 384,998 in the course of removal and liquidation. 4.4 million active companies would, if charged £250 a year, contribute revenues of £1.1 billion to tackle this issue. Of course, the number of companies might also fall considerably as a result. That, in itself, would be good news.

Second, every company that is on the register should be required to do three things within three months to make sure we know the minimum level of data that is required about companies registered in the UK. These are:

- * To file their most recent full accounts as supplied to shareholders on public record. The time to end the farce of UK companies filing meaningless abbreviated accounts has arrived.
- * To prove the identities of all their directors.
- * To prove the identity of all those controlling more than ten per cent of the company, using the various definitions of control that the Companies Acts provide.

By proof I mean that reference to a proven document of identity must be supplied. For the vast majority this would simply require the use of the government gateway with which many are familiar to acquire a passport, to file their tax return or get a driving licence. We cannot rely on third parties to check this proof when the systems to check it already exist. For those unable to use such a mechanism then notarised proof of identity should be provided instead, with original documents being required by Companies House. Given the scale of the issue we face I see no reason why three months is an unreasonable time scale to do any of this.

In the event that any of these requirements are not met then I suggest the simple solution is that the company in question should be notified that it will be struck from the Register of Companies. This provides a few weeks for remedial action but after that the company should be closed. Nothing will get rid of corrupt companies quicker than this.

Thereafter we need other measures. First, all but small companies should now be audited.

Second, all companies that pursue activity in the UK, including those who rent property, should be required to file full accounts at Companies House.

Third, all groups should be required to file proper consolidated accounts so that we really know what is going on within them.

Fourth, if a group of companies is controlled from outside the UK one of the UK companies that forms part of the group should be required to file group accounts for the UK based entities, even if it is not the parent company of all the entities in question. We can no longer permit the opacity that offshore owned groups enjoy in the UK.

Fifth, all banks, lawyers and accountants should be required from now on to advise annually any information that they hold for any UK based company as to the total sums banked by that entity during the most recent annual period for which it prepares accounts, or a period of their choice if no accounts have been prepared. The aim is simply to identify the scale of unreported activity. There should be substantial penalties for non-compliance. The data should, of course, be shared with HM Revenue & Customs.

Do these things and we could massively clean up the UK company registry. At the same time we could crack down on all forms of fraud, tax evasion and corruption. And the additional resources available to Companies House would ensure that all these measures can be policed, ensuring that deficiencies in accounts and in the absence of data can be tackled by our authorities in a way that has not happened for decades.

I am well aware that some will object to the proposals I am making. For them I have a simple question. It is, what is it about the corruption that current arrangements permit that you think of benefit? I would be interested to know.

And before anyone complains that what I am suggesting goes far beyond what is required to beat Russian abuse, my answer is that I do of course know that. But what is being exploited is a systemic failure, and it is the systemic failure that must be tackled.