MONEY LAUNDERING

Better call Saul

A

OTHER name can be added to the roster of expensive London law firms helping the world’s kleptocrats stash their wealth in the UK.

Last year the Pandora Papers leaked, shared by the International Consortium of Investigative Journalists, cast new light on how Azerbaijan’s ruling Aliyev family amassed a £410m property empire between 2006 and 2017. The Sarajevo-based Organized Crime and Corruption Reporting Project found that this included four apartments worth a combined £5m in The Knightsbridge, a luxury development opposite Hyde Park. They had been bought in 2006 for Aziz Aliyev, daughter of Azerbaijan’s long-serving autocratic ruler Ilham Aliyev. Another apartment in the same development, worth £13.5m, was purchased in 2017 for her granddaughter Arif Pashayev. All five apartments were later transferred into an Aliyev family trust.

On top of this, a sprawling estate near Haywards Heath, West Sussex, called Dreyvits, had been bought by Azeri businessman and close Aliyev associate Erfan Kamliov. In all these properties and purchases, boutique City law firm Raymond Saul & Co was given in land registry documents as the correspondence address for the anonymous British Virgin Islands companies used to acquire them. Raymond Saul & Co has a history of dealing with dubious clients. When Asif Ali Zardari, husband of 1990s Pakistan prime minister Benazir Bhutto, got into hot water over a 15-bedroom mansion with 350-acre grounds in Godalming, Surrey, called Rookwood, this turned to Raymond Saul for help.

The estate had been purchased in 1995 during Bhutto’s second term in office. Using three Isle of Man companies, in 2006, the Pakistan government alleged Bhutto and Zardari had “funded and refurbished” the £4.35m estate “from secret commissions or bribes they obtained in connection with contracts entered into by Pakistan or its agencies”, and went to the high court in London to recover the money.

Court documents show that when the Isle of Man companies were liquidated in 2003, Raymond Saul & Co wrote to liquidators on behalf of Zardari saying the latter side of the deal was to be the estate’s ultimate owner — only for the politicians and consultants involved in subsequent court proceedings that he was actually the owner.

At the time, evidence of the Bhutto family’s looting was not hard to come by. In 1998, the New York Times quoted government sources who estimated Bhutto’s “family and associates” had stolen $1.5bn “through kickbacks in virtually every sphere of government activity — from rice deals, to the sell-off of state land, even take-overs from state welfare schemes”. Both denied the allegations.

For his role in alleged corruption schemes, Zardari earned the nickname “Mr 10 Percent”, and was imprisoned in Pakistan between 1996 and 2004. But that didn’t stop him becoming president in 2008 after Bhutto’s assassination — or indeed Raymond Saul acting for him while he was in prison. The firm had also responded to the Eye’s request to press, though would doubtless say it follows all relevant regulations.

When the Chatham House think tank last month reported on “The UK’s Anti-Poverty Problem”, it identified deals in which post-Soviet oligarchs and kleptocrats had bought property in London and south-east England, including the Aliyev deals. “British professional service providers enable post-Soviet elites to launder money and reputations,” it concluded (as Eye readers have long appreciated). None more so than our reputable legal profession.

Repeal cycle

A £64m fine last month for HSBC over “serious weaknesses” in its money laundering procedures isn’t much of an endorsement for the bank’s supposedly external overhaul after a $1.9bn US penalty in 2012.

After the US authorities found rampant laundering through branches throughout the bank’s global business, around the same time as tax evasion in its Swiss operations came to light, HSBC set up a special “financial systems vulnerabilities” committee to put things right. It was chaired by ex-M5 boss Sir Jonathan (now Lord) Evans and included other luminaries such as former HM Revenue & Customs boss Duncan Harley.

Britain’s Financial Conduct Authority has now concluded that at times between 2010 and 2018 (for most of which time the committee was meant to be active) HSBC hadn’t taken into account relevant indicators of money laundering when processing transactions and hadn’t monitored how accurate its data was.

“HSBC’s transaction monitoring systems were not effective for a prolonged period despite the issue being highlighted on many occasions,” said FCA director Mark Steward. “The failings are unacceptable and exposed the bank and community to avoidable risks”. As the FinCen Files leaks showed in 2020, on the ground the result of HSBC’s slackness was continued flows of dirty cash through the bank, notably in South America and Hong Kong.

Lord Evans resigned from his watchdog role at HSBC after criticism that it conflicted with a new job as chairman of the Committee on Standards in Public Life, opening on how lots of other people should do their jobs.

PENSION SCHEMES

Nest eggs

The government-sponsored pension scheme, Nest, set up a decade ago as the coalition government required employers to “auto-enrol” workers, has had a fruitless start in life. Its members are currently standing at “under 10m people with £2bn of savings, have enjoyed double-digit returns in most Nest funds thanks to booming stock markets.”

But with governments consistently demanding that pension investments support British businesses, might the organisation that is backed by the Department for Work & Pensions and officially answers to parliament have done a bit more?

Nest’s latest annual report, listing its 100 largest investments, shows the biggest investment in any British business to be only its 50th largest shareholding. Even then, it’s hardly prizing an engine of UK productivity, or the company in question is management consultancy Accenture. Only a handful of other UK companies, plus some property, feature in the top 100 investments.

Nest puts its serious money into the usual suspects of Apple, Microsoft, Amazon, Alphabet (Google) and Facebook — in that order. Its top 20 holdings, 15 are American and two Chinese (Alibaba and Tencent). Perhaps employers and employees attracted to the British character of Nest might have preferred some of their hard-earned cash to fund their own businesses’ prospects.

A look at Nest’s specific funds also shows a somewhat unimaginative approach. The largest investment in its “ethical” fund is Apple, tax dodgepar excellence and also recently hauled over the coals by a number of international authorities for anti-competitive practices related to its App store.

None too reassuring, either, is the news last month that the National Audit Office had to “qualify” its assessment of corporate accounts for making unauthorised payments, running to £125,000 to certain staff to retain them, without seeking Treasury approval as required (and denied retrospectively).

When the organisation was being formed in 2011, Eyes 1254 and 1256 pointed out the apparent anachronism at the top, as such how the chief investment officer got the job at Nest’s pre-curiosity period while his best man was business director, while other executives emerged from the same consulting firm. It seems the Nest might still be a little too comfortable.