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How laundered money shapes London's property market

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For three-quarters of Londoners under 35, owning a home in the capital remains out of reach. But according to the leaked [Panama Papers](#), buying property in London presented little problem for associates of Bashar al-Assad, the Syrian president; for a convicted embezzler who is also the son of a former Egyptian president; or for a Nigerian senator facing corruption charges.

The leaks from the Panamanian law firm Mossack Fonseca have brought back into focus the ownership of London property via offshore companies by people suspected of corruption overseas — a phenomenon that has helped to shape the capital's housing market, where prices are up 50 per cent since 2007.

“We think it very likely that the influx of corrupt money into the housing market has pushed up prices,” said Rachel Davies, senior advocacy manager at Transparency International. Donald Toon, head of the National Crime Agency, has gone further, [saying](#) last year that “the London property market has been skewed by laundered money. Prices are being artificially driven up by overseas criminals who want to sequester their assets here in the UK”.

Since 2004 £180m of UK property has been subject to criminal investigation as suspected proceeds of corruption, according to Transparency International data from 2015. Yet this probably represented “only a small proportion of the total”, added the campaign group.

Most of these properties were bought using anonymous shell companies based in offshore tax havens such as the British Virgin Islands. Overseas companies own 100,000 properties in England and Wales, Land Registry data show.

Owning property through a company can present tax advantages but, depending where that company is based, it can also offer anonymity. According to Transparency International figures, almost one in 10 properties in the London borough of Kensington & Chelsea is owned through a “secrecy jurisdiction” such as the British Virgin Islands, Jersey or the Isle of Man.

“UK property can be acquired anonymously, anti-money-laundering checks can be bypassed with relative ease, and if you invest in luxury property in London you know your investment is safe. All that comes from the flaws in the UK anti-money-laundering system,” said Ms Davies.

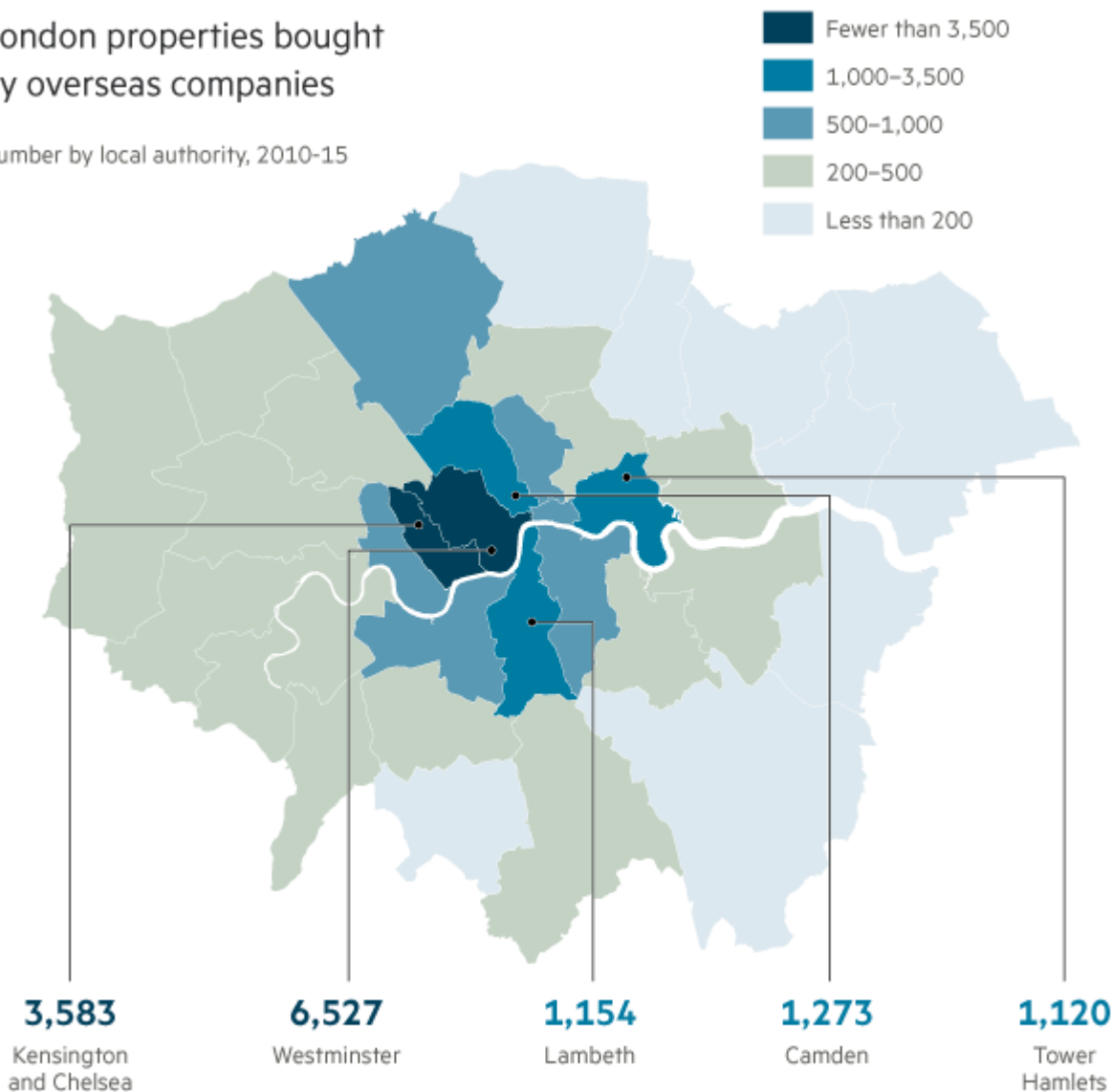
According to the documents leaked to the International Consortium of Investigative Journalists, Soulieman Marouf, an al-Assad associate whose assets in Europe were frozen for two years from 2012, holds luxury flats in London worth almost £6m through British Virgin Islands companies. The family of a deceased former Syrian intelligence chief owns a £1.2m Battersea home, the Guardian newspaper reported.

The documents also link Alaa Mubarak — a son of Hosni Mubarak, the former Egyptian president — who was jailed and released last year for corruption, to an £8m Knightsbridge property.

Bukola Saraki, the president of the Nigerian senate who faces charges in his home country of failing to declare assets, owns a Belgravia property, while a second is held by companies in which his wife and former special assistant are shareholders. Mr Saraki denies any wrongdoing and says he declared his assets in accordance with the law.

London properties bought by overseas companies

Number by local authority, 2010-15



Sources: Land Registry; FT research

FT

These individuals form part of a much wider group of people in overseas political office, and their associates, who own London homes. Such links are supposed to raise red flags with agents and lawyers involved in transactions, who can file “suspicious activity reports” with the National Crime Agency (NCA) for further investigation.

Estate agents doubled the number of such reports they filed in the year to September 2015, including six reports of suspected terrorist financing — but their reports still totalled only 355 in a year in which more than a million homes changed hands.

“People are not taking money laundering seriously. Our job is not to be judge and jury but to flag up, in slightly uncomfortable fashion, deals that need more investigation,” said Henry Pryor, a buying agent for luxury homes.

Ministers are holding a consultation on a regime of [greater openness](#) about the ultimate “beneficial owners” of companies, but groups from Transparency International to the National Association of Estate Agents have warned this will be ineffective unless it is made publicly available and includes companies listed in tax havens.

An NCA spokesperson said the UK's position as an international financial hub "with world-class legal and accountancy services, as well as the prominence of the London property market, form the cornerstone of our economy. But this also makes us one of the world's most attractive destinations for the proceeds of crime and corruption".

The agency believed hundreds of millions of pounds were laundered through the UK every year, though it does not know how much criminal proceeds are invested in the UK property market.

Where purchasing companies were incorporated



Sources: Land Registry; FT research

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David Cameron, prime minister, is under renewed pressure following the Panama leaks. "He should announce a timeline for a public database, including in British territories and Crown dependencies," said Ms Davies.

Mr Pryor said there was a risk of the property market moving "back to the wild west". "Britain can be proud of some impressive, civilised property laws that make buying, selling and ownership secure and safe — hence the values attached to UK real estate," he said. "When this kind of thing happens, we look the other way at our peril."