

CRIME

How Britain became the go-to destination for the world's money launderers

Alleged £12.5bn plot involving 19 UK firms took advantage of lax corporate laws. By **Jim Armitage**

Front companies in the UK are at the heart of an investigation into one of Europe's biggest ever money-laundering operations, allegedly forming a key part of a conspiracy to make \$20bn (£12.5bn) of dirty money look legitimate.

The funds are believed to have come from major criminals and corrupt officials around the world wanting to make their ill-gotten cash appear "clean", so they can spend it without suspicion.

At least 19 UK-based companies are under suspicion. The scandal highlights how lax corporate rules have made this country an attractive destination for global crime. The secrecy company directors are entitled to under UK law also hinders attempts to identify those behind the scam.

An investigation into the operation by **1** and the Organised Crime and Corruption Reporting Project, has identified dozens of companies in a web spreading from Birmingham to Belize.

The scam appears to have been going on for four years before finally being shut down this year by investigators in another of its key centres - the former Soviet republic of Moldova.

The investigating officer in Moldova who helped shut it down in May, Vasile Sarco, said: "This money was routed from Russia, but the companies incorporated in Britain were instrumental to transit the funds."

He has sought help from UK organised crime police to help track down the operation here.

The ingenious alleged scam saw the launderers create front companies here which did large, bogus business deals together, before suing each other in courts in Moldova. The litigation was often demanding debts of hundreds of millions of pounds be repaid. The judge in Moldova would rule in favour of the claimant who would then receive the cash and a signed court document ordering the debt to be paid by one company to the other. This paperwork could later be used as proof by the launderers that the money was made "legitimately".

Cleaning drug money

One of the biggest problems of being a successful drug dealer is finding a way to make your money look like it's been made honestly. Key to this is obtaining official documentation or receipts.

There are many ways of doing this, from setting up legitimate businesses that turn over lots of cash, to buying and exchanging travellers' cheques, to getting legitimate businesspeople to fake transactions for you.

Another way is to set up front companies and make them look like their money comes from legitimate sources.

However, far from being money transferred from one bona fide British company to another, the funds were actually being routed from Russia, where criminal gangs from around the world go to launder their cash from corruption, drug dealing, prostitution and people smuggling. They would put the money first into the UK companies' accounts in Moldova before it was then transferred to another bank in Latvia. As Latvia is in the highly-regulated EU banking system, this adds to the dirty money's "clean" appearance, allowing it to be spent.

Investigators are attempting to discover who the criminals are. However, it is virtually impossible to establish who owns the UK companies and, therefore, who had access to the laundered money. Despite having their registered addresses in ordinary office buildings in London, Edinburgh, Belfast, Glasgow and Birmingham, their real ownership is hidden by brass plate entities and nominee directors in secretive havens like the Seychelles, the Bahamas and the Marshall Islands.

Two of the 19 front companies give places which turn out to be branches of the PO boxes chain Mailboxes Etc as their registered offices. There is no suggestion Mailboxes Etc are involved in any wrongdoing. None of the companies responded to written requests for comment.