March 2019

PRESS RELEASE
Corporate Crime Gap
How the UK Lags the US in Policing Corporate Financial Crime
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CORPORATE CRIME GAP – HOW THE UK LAGS THE US IN POLICING CORPORATE FINANCIAL CRIME

Corruption Watch releases a report today which shows that in the past decade since the financial crisis, the US has imposed penalties 10 times those imposed by the UK on New York and London based banks for financial wrongdoing such as exchange rigging in the Libor and Forex cases, and for money laundering.

The US has managed to bring in £22 billion more in penalties for financial crime committed by banks and financial institutions than the UK has, and nearly half (£10 billion) of that was from UK financial institutions.

Corruption Watch argues that the primary reason for this is that the UK’s corporate liability laws for economic crime are antiquated and ineffective, and that the UK’s regulators do not impose sufficient penalties to deter economic crime.

Our research found that:

- The UK has not brought a single successful criminal prosecution against a bank for Libor, Forex, misselling of toxic mortgages, or money laundering and sanctions violations compared to close to 20 criminal enforcement actions by the US.¹
- The US brought in **five and a half times** the amount that the UK did in the Libor scandal, despite Libor being a London based inter-bank lending rate.
- The US brought in **four and half times** the amount that the UK did in relation to Foreign Exchange (Forex) rigging, despite London accounting for 40% of the foreign exchange market compared to New York’s 20%.
- At its most staggering, the US brought in **thirty-four times** the amount the UK has in relation to money laundering and sanctions violations.

The UK is effectively outsourcing its criminal enforcement for financial institutions to the US, and as a result is failing to effectively police the integrity of its own markets. The US Treasury is the main beneficiary of this – receiving billions in fines from UK financial institutions which, if the UK ensured it had the right legal and regulatory framework, proactively enforced, could be going to the UK Treasury.

A decade on from the financial crisis, which the official US Commission described as avoidable, the UK public still do not feel that banks have faced sufficient penalties. In 2018, a YouGov survey showed that 72% of people feel that banks should have faced harsher penalties for their role in the financial crisis. However, if a new financial crisis were to occur tomorrow, there is no law in place that would enable banks and large financial institutions to be prosecuted.

Corruption Watch urges the government to introduce a ‘failure to prevent’ economic crime offence to cover fraud, false accounting and money laundering at the earliest opportunity and to task the Law Commission to undertake a comprehensive review of how the UK’s outdated corporate liability laws are making it impossible to prosecute corporate crime. The government must commit to implementing any legislative changes recommended by the Law Commission within six months.

Susan Hawley, Policy Director at Corruption Watch said:

"Big businesses and banks are effectively above the law when it comes to fraud and money laundering in the UK. Until the government implements corporate liability reform, the UK’s prosecutors will remain toothless in the face of major corporate financial crime."

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¹ The Corruption Watch report only focused on enforcement actions against banks in New York and London to allow for a fair comparison of the US and UK, given the different sizes of the two economies. New York and London are similarly sized financial centres.