

SOAS ICOP Policy Briefings

To Inform Government and Parliamentary Debates

Democracy Needs Urgent Freeing from Dark Money by Peter Geoghegan (*openDemocracy*) and Hasan Pandor (*SOAS*) (09 Sept 2021)

The UK Government must end [‘the potential for foreign money to influence UK elections’](#). Not legislating to close the loopholes gives the green light for wealthy foreign donors who do not pay UK taxes to influence the outcome of British elections. Currently, when political donations are made via [unincorporated associations](#), the true source of the funding can remain hidden. Lord Evans recently called for a crackdown on these ‘shadowy’ funding vehicles amid concerns that the proceeds of crime or money laundering could be funding British politics.

In July, the [Committee on Standards in Public Life](#) published its review [Regulating Election Finance](#). It found that rules to prevent foreign donations influencing the political process were inadequate and were being circumvented. Currently, donations can be made through ‘unincorporated associations’ with minimal checks. Unincorporated associations are not required to be listed at Companies House. Some groups do not even have public records of their existence. Whilst individual donors to a political campaign must publicly declare donations over £1500, they can give up to £7,500 to an unincorporated association, which can pass the money on without disclosing the donor’s identity. By using multiple such associations, ghost donors can give huge sums to political parties.

British democracy has no overarching body protecting it; it thus continues to remain for sale. This shambolic reality is especially shocking in light of the Intelligence and Security Committee’s (ISC) much-delayed [Russia Report](#) last July **finding that political financing is one of a wide range of channels Russia is using to disrupt and exert influence on the UK; indeed, the ‘[London Laundromat](#)’ facilitates it (p. 15)**. Even prior to the report, schemes such as the ‘[Azerbaijan Laundromat](#)’ – which laundered \$2.9 billion through UK-registered shell companies between 2012 and 2014 - **had already [exposed ‘the level to which UK financial and legal systems are involved in the facilitation of international financial crime and corruption’](#)**. The ISC recommended immediate action towards ‘a new statutory framework to tackle espionage, the illicit financial dealings of the Russian elite, and the ‘enablers’ who support this activity’ (p. 3). **‘Enablers’ refers to the ‘lawyers, accountants, estate agents and PR professionals [...] who become de facto Russian state agents’ (p. 15)**. Despite the urgency of this, the UK [‘appears to be backsliding on anti-corruption commitments’](#).

The [Regulating Election Finance](#) review also makes plain that **the true source of donations has to be transparent, so that the public can see how their vote is being influenced by election spending (p. 1)**. Its recommendations include political donations only being permitted from profits generated in the UK, tighter rules being applied to unincorporated associations (p. 6), and **an appropriate framework of both criminal and civil sanctions to support widespread compliance**. Whilst opposition parties have [called](#) for the report’s recommendations to be implemented, the new [Elections Bill](#) not only fails to incorporate them, but, as Cat Smith MP [argues](#), “will further weaken our donation laws”.

We urge the Government to eliminate dark money as a core national security interest and to make the Elections Bill fit for purpose by:

- incorporating the relevant recommendations of both the Russia Report and the Review
- passing fresh legislation that fully addresses the concerns raised in the Russia Report.

Visit our website for further briefings (<https://blogs.soas.ac.uk/cop/>). If you would like clarification on any of the issues raised here, please contact the author at peter.geoghegan@opendemocracy.net. Do contact Professor Alison Scott-Baumann and her team for further briefings and access to other experts as150@soas.ac.uk. *The views expressed in SOAS ICOP Briefings are those of the authors and do not necessarily represent those of SOAS.*