

THE MOST SERIOUS FINANCIAL SCANDAL OF MODERN TIMES

27. SFO – NOT SERIOUS ABOUT BANK FRAUD & NOT FIT FOR PURPOSE

The Serious Fraud Office (SFO) has often been criticised about its lack of success, which until its recent success over Airbus was justified. However, our criticisms are different and two-fold:

Firstly, the Chancellor has sight of all cases put forward for investigation by the SFO and for more than a decade, maintained a wholly inappropriate limit on its core annual budget, at a time when serious criminal fraud in the UK rose sharply. When confronted by evidence of banking fraud, the SFO has been encouraged to look the other way.

Secondly and more generally, the SFO is not fit for purpose, something successive Governments have long known and done nothing about. This has brought the UK's prosecution of serious corporate fraud into international disrepute.

1. SFO - not serious about banking fraud

- The former Director David Green stated that the SFO may investigate “any suspected offence where appears on reasonable grounds to involve serious or complex fraud. This means that there must be (1) sufficient evidence to support a reasonable suspicion of criminality and (2) the criminality must involve serious or complex fraud.” However, these criteria are entirely arbitrary and enable it to act as it wishes, or is directed to act.
- In August 2016, the SFO declined to investigate the notorious Lloyds-associated secondary lender, **UK Acorn Finance** stating that Avon & Somerset Police “had previously investigated and further reviewed the matter before deciding that there were insufficient grounds to justify a continued police investigation or to bring criminal proceedings”.¹ Avon & Somerset Police's refusal to investigate long-standing allegations of widespread criminal fraud involving Lloyds Recoveries, Bristol has been constantly criticised and has now come under renewed pressure². In October 2019, the SFO dropped its long-running investigation into the **manipulation of LIBOR**³ conveniently two months before Andrew Bailey was announced as the next Governor of the Bank of England. It has also taken no action, along with the NCA and FCA, over **Lloyds' alleged industrial systemic forgery of signatures**.⁴
- Judging by David Green's criteria, there would appear no justification for the SFO to have acted as it has with any of these three instances of serious criminal fraud. The SFO also states that “If the information provided is not for us, we pass it on to other relevant enforcement agencies and regulators”. However, there are few signs that it has done so.

¹ SFO Director David Green to Bill Wiggin MP, letter dated 20th September 2016.

² <https://www.bbc.com/news/amp/uk-england-bristol-54630259>

³ <https://www.sfo.gov.uk/2019/10/18/sfo-concludes-investigation-into-libor-manipulation/>

⁴ Press release 15.

LIBOR investigation conveniently dropped

- The London Inter-Bank Offered Rate (LIBOR) came into widespread use as a global benchmark in the 1970's and was brought under UK regulatory oversight by the Financial Services Act 2012, which created a criminal offence for knowingly or deliberately making false or misleading statements relating to benchmark setting. In July 2014, the FCA fined Lloyds Banking Group £105 m for manipulating its LIBOR (May 2006 – June 2009) and repo rate (April 2008 - September 2009) submissions. In total, Lloyds was fined the equivalent of £218 m by UK and US regulators.
- The Governor of the Bank of England, Mr Mark Carney wrote to Lloyds' Chairman, Lord Blackwell: "Such manipulation is highly reprehensible, clearly unlawful and may amount to criminal conduct on the part of the individuals involved". In his reply, Lord Blackwell admitted there had been "truly shocking conduct, undertaken when the bank was on a lifeline of public support". A secret recording dating from 2008 also implicated the Bank of England in the manipulation of LIBOR.⁵
- Nevertheless in July 2018, the SFO closed its investigation into Lloyds' manipulation of LIBOR and in October 2019, closed its entire seven-year investigation, saying that it had conducted a detailed and thorough review but no further charges would be brought. Two months later, Andrew Bailey was announced as the next Governor of the Bank of England.

2. SFO - not fit for purpose

- The Police & Crime Commissioner for Thames Valley, Mr Anthony Stansfeld⁶ has highlighted major short-comings in the UK's investigation of serious fraud.⁷
- However, Government has long been aware of these failings and deliberately taken no action. Consequently, the City of London has become the global centre of choice for international money laundering. Against this background, it is all the more shameful that the SFO has been out of its depth and underfunded for a long time.
- The SFO should be established as a separate entity entirely free from Government influence and financed through its fines, which currently go straight to HM Treasury. The scale of its operations should be increased considerably, so that it can take on many more investigations annually. Government should also make the prosecution of fraud easier and less costly.
- In the absence of proper and responsible action to combat serious white collar fraud, it is little wonder that the US Government recently referred to the UK as a "high-risk jurisdiction", a polite term for a dirty little country.

⁵ <https://www.bbc.co.uk/news/business-39548313>

⁶ In June, Mr Stansfeld was appointed the lead Police & Crime Commissioner in the UK on fraud.

⁷ See his report "High Level Fraud" on our website www.lloydsbankassetfrauds.com