

Protect Briefing on the Economic Crime and Corporate Transparency Bill

October 2022

This is a short briefing from Protect, the UK's leading whistleblowing charity, advocating for whistleblowing to be included in the Economic Crime and Corporate Transparency Bill as a path to better enforcement.

Protect

For nearly 30 years Protect has provided free confidential legal advice for whistleblowers across all sectors. To date the Advice Line has advised over 50,000 cases. We also advise employers on how to implement effective whistleblowing arrangements. These experiences inform our efforts to campaign for legal and policy reform to better protect whistleblowing.

Whistleblowing is key to better enforcement

We welcome this new bill, but we are disappointed there is nothing that will increase the protections for whistleblowing or require organisations or regulators to do more when it comes to their interaction with whistleblowers.¹ Whistleblowing is key to ensuring better detection of, and enforcement against economic crime.

Studies have shown the value of whistleblowing in dealing with issues like economic crime. 43% of all fraud is detected via tips, of which at least 50% are known to have come from employees. If employers have a strong whistleblowing culture, then concerns can be detected early and acted on before they become a bigger scandal.

Recent examples of the role of whistleblowers in exposing international corruption include:

[Jonathan Taylor, a lawyer for SBM who blew the whistle on a multi-million bribery scandal in the oil industry](#) and [Amjad Rihan, an EY auditor who exposed an organised crime group who were using sales of gold in Dubai to launder British drug cash.](#)

[This week a report in the Financial Times exposed a potential breach of money laundering rules by accountancy firm EY – based on information disclosed by concerned staff within the organisation.](#)

Regulators also recognise the importance whistleblowers have in providing key intelligence to help detect or investigate economic crime. With the FCA saying last year *'Whistleblowing reports are a vital source of our information. They give us unique insight into the sectors and firms we regulate, helping us to do our job and protect consumers.'* While the SFO have said in the past

¹[Please see our briefing for the previous Economic Crime \(Transparency and Enforcement\) Act 2022.](#)

“Whistleblowers continue to provide a vital source of information to the SFO in the fight against economic crime.”

From Protect’s experience on the Advice Line, when it comes to whistleblowing about economic crime issues many whistleblowers struggle to know where to go outside of their employer. Most whistleblowers faced with a corruption or fraud issue will still raise their concerns internally: research from Protect looking at Furlough Fraud found that around 90% of whistleblowers contacting Protect for advice had tried to raise it with their employer.² 41% felt their concerns were ignored, and this is the point typically when whistleblowers feel the need to raise concerns with a regulator or with the police.³

Company House

We think the Government could do more to ensure that the Companies House has both the resources and the powers to use the information from whistleblowers in an effective way.

Under the Bill Companies House will play a much more prominent role in overseeing the registration of companies by acquiring new powers. The Bill will give it the ability to check, remove or decline information that is submitted to it. It will also be a requirement for UK based companies to verify their identities with a government issued identity document such as passport or driving license. These will be compared against photos the individuals will need to submit. These new powers will allow Companies House to authenticate and verify who is running businesses registered with it.

Companies House will also have the power to reject information that it believes is incorrect. It may fall to whistleblowers to alert Companies House to incorrect information which may help to prevent some companies being incorporated only for the purposes of money laundering or enabling other types of economic crime.

The new powers will be more effective if there is an easier route for whistleblowers to raise their concerns with Companies House if they believe either that their employers is providing false information, or false information is provided by an organisation which their employer has a commercial relationship e.g via their supply chain.

Making Companies House Prescribed under whistleblowing law

We recommend designating Companies House as a Prescribed Person under the Public Interest Disclosure Act 1998 (PIDA) which is the legal protection for whistleblowers in the UK. This would give whistleblowers a far easier path to gaining legal redress if they are victimised or lose their job for raising concerns compared to a non-prescribed body. This would make the prospect of making that disclosure far less daunting.

Prescribed Persons are required annually to publish anonymised data on the number of whistleblowing disclosures made to them as Prescribed Person, the type of concerns raised, and the

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action taken in response to the wrongdoing raised. This would shine a welcome light on the performance of Companies House in executing their new powers.

The Secretary of State for BEIS oversees the Prescribed Persons list and can do so via secondary legislation. It is not necessary for this change to be part of the bill but securing a commitment from the Government that such a process will be followed would be welcome.

Requiring Companies House to have an external whistleblowing function

We recommend the bill be amended to require Companies House to establish a whistleblowing function so that they can easily take concerns about false registration as a regulatory or enforcement body.

Protect has worked with and conducted research on a number of Prescribed Persons, and how they interact with whistleblowers. We have produced a Better Regulators' Guide setting out good practice in encouraging whistleblowers to come forward, and in dealing effectively with concerns raised.

We think Companies House should have the following functions that will mean whistleblowing concerns can be dealt with effectively:

- a) Create reporting channels, which are secure and ensure confidentiality, for receiving and handling information provided by whistleblowers.
- b) Keep confidential records of all disclosures made by whistleblowers.
- c) Provide feedback to the whistleblower within a reasonable timeframe not exceeding three months or six months in duly justified cases.
- d) Follow up whistleblowing concerns by taking the necessary measures to investigate as appropriate, and where an investigation is not possible as it sits outside the bodies remit the concerns are passed on to an appropriate body.
- e) Ensure there are processes to protect the confidentiality of the whistleblower from the point of disclosure right the way through to investigation and enforcement.

Conclusion

We believe these changes would encourage and support the vital source of information that are whistleblowers. The ideal is for individuals to raise their concerns with their employer who are often best placed to resolve concerns quickly but there are situations where this has not happened or where the employer is unwilling to act. In matters of economic crime, particularly if it involves senior leaders in an organisation, it is vital that whistleblowers have routes to raise their concerns externally. The Government need to ensure that Companies House is in a position to encourage, triage and then investigate whistleblowing concerns so they can exercise their new powers in an effective manner.

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