

Ghosts in the Neighbourhood: Techniques for Complicating the Ownership Structures of UK Property

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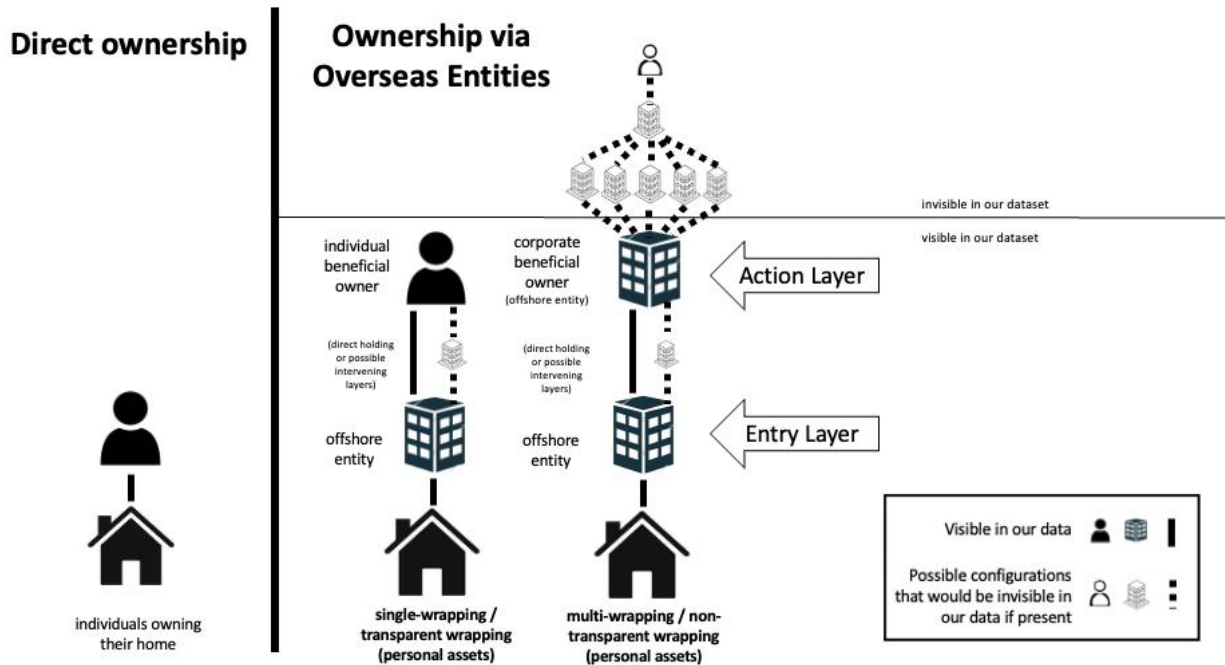
Popular accounts of the offshore world cast it as a place where wealth and its owners disappear, effectively “ghosting” governments to avoid deemed liabilities including regulation, taxation, legal loss, seizure, and simply enforcement of the law. However, the actual extent that ghosting occurs and the techniques employed are far more varied. This paper draws on newly available data on properties in the UK held through overseas entities to identify an array of techniques that can be used for complicating and possibly hiding lines of ownership. Not all these techniques nefarious per se. They may simply supply pragmatic solutions to the complexities of running global businesses that are fully legal and understood even by the states involved as simply par for the course. It is unsurprising, for example, that the UK headquarters of Google are owned by an overseas company. However, some modalities of complicating ownership lines may be less mundane, strategically shielding ownership from relevant authorities in ways that could facilitate tax evasion, money laundering, and other criminal activities.

In this paper, we focus our analysis on property in the UK, an asset class that has raised concerns among governments, intergovernmental organizations, and NGOs for its utility in hiding wealth or cutting the link between ownership and the asset in ways that could facilitate financial crimes. To identify ownership structures, we match three publicly available datasets: the Free Company Data Product, the People with Significant Control (PSC) register, and the register of Overseas Companies that Own Property in England and Wales (OCOD). Currently nearly 100,000 properties are reported as held through overseas entities, and over 80 percent of those have complied and declared a beneficial owner.¹ We analyze the matched data to identify the key techniques that people use to complicate ownership structures.

We take as the starting point for our comparison the most simple and straightforward possibility: an owner owns property directly and lists their correspondence address as at that property. We then identify a range of deviations from this straight-line connection that are visible in our data. Figure 1 offers a schematic depiction of both direct ownership (our baseline) and of ownership via overseas entities, conventionally known as “wrapping.” In our analysis, we focus on cases of wrapping in which either an individual beneficial owner (IBO) or a corporate beneficial owner (CBO) is declared to the UK government.

¹ Our dataset gives us information on only property in England and Wales, but following the convention used in similar literature, we refer to it as representing UK properties.

Figure 1: Ownership Structures



In our analysis, we break down the ways that property is held by overseas entities into two main types: techniques that are innocuous and those that may raise issues of concern to relevant authorities, including the UK government and the individual’s home government.² We then identify the key patterns in both the innocuous techniques and the cases of possible greater concern, and we assess how frequently they are used to hold UK property. The main techniques identified are as follows.

1. Innocuous Techniques:

These represent different deviations from direct ownership, but an individual beneficial owner (IBO) remains identifiable to both the UK government and – via UK public reporting – also to the individual’s home government.

Costuming: IBOs locate their offshore entity within their country of nationality. In such cases, the offshore entity is within the jurisdiction of their home government and likely readily visible to it.

Masking: IBOs locate their offshore entity in a third country. In these instances, the offshore entity is in a jurisdiction outside likely home government of the IBO and the government where the property is located.

² We use “home government” as a shorthand for “what is likely to be their home government.” In our baseline comparison, the individual’s nationality is the same as the country of their correspondence address and residence, and we presume that this government may possibly have an interest in the individual’s overseas assets regarding taxation or other legal matters. The reality, of course, may be far more complex, as we unpack in the longer paper.

Disassembling: IBOs locate their offshore entity in a third country and give a correspondence address in a fourth country. In such cases, there is no alignment between the IBO nationality, the location of the offshore entity, the location of the property, and the place where IBO requests communications to be sent.

2. Cases of Greater Concern:

In these configurations, an individual beneficial owner not identifiable. This may be due to the fundamental corporate nature of the property ownership: for example, an active overseas business could be the ultimate beneficial owner. However, it is also possible that the ultimate beneficial owner is a natural person who may be deliberately obscuring their identity and rendering themselves invisible to the UK government or a third government. We frame these as possible “ghosts” in the neighbourhood and identify four species as follows.

The Invisibles: This is a subset of cases within those where only a corporate beneficial owner (CBO) is identifiable. The wider pool contains cases in which a CBO would be the expected default, such as a foreign business owning its UK business footprint. However, it may also include cases in which individuals deliberately obscure their ownership of personal assets by creating complex ownership lines. If the property is a personal asset, the IBO of the property is rendered invisible to both the UK and home government. The actual incidence of these cases within a given property class is more likely to be higher for high-end residential property than for business property.

The Disappeared: These are a subgroup of “the invisibles” in which an IBO of a property has been identified in the past through offshore leaks, but the ownership of the property has subsequently restructured to occlude the identify of its current owner.

Shape-Shifters: These are cases in which an IBO is identifiable, but their listed nationality is in a country with a citizenship by investment program that is sizeable relative to the local population. Though the UK government will be able to identify the beneficial owner, it is likely that – in the case of dual citizens – a relevant home government will not.

The Possessed: These are cases in which an IBO is identifiable, but the individual is likely to be a front-person for someone else. In such cases, the ultimate beneficial owner will not be identifiable to any of the relevant governments.

In analyzing these strategies, we also identify the first-layer jurisdictions that are the preferred location for each technique. This pinpointing may be useful for creating more targeted regulatory policies going forward. We conclude by discussing the relative risks of each strategy, focusing on the various ghosting techniques that can be employed.