

5 Crime Indicators for Family Lawyers

Dealing with family businesses in matrimonial cases is always likely to be complex. That complexity is drastically increased if the business is engaged with illegitimate activities. Following a briefing provided by the Metropolitan Police Service, the ATT has created a list setting out 5 crime indicators to be aware of based on recent court cases and investigations. Below we have created a table spotlighting the behaviour, why it might be suspicious and where to look for information. *Much of the data from this table was originally published by the Association of Tax Technicians, the original table can be found [here](#).*



Activity or Incident



Why is this suspicious?



Where to look for this information

Lack of Sales Records

A business of any type has no sales records and asks their accountants to calculate income based on the funds received or deposited into their business bank accounts or provides their accountant with annual or monthly totals for which there is no supporting documentation.

This is an indicator of money laundering. It is a recurrent feature of money laundering investigations for a variety of crime types. Failing to keep accounting records is also a criminal offence under Companies Act 2006 (s386). In *R v Skinner and Ferron* in 2016, two directors whose only records for their company were bank statements, a collection of invoices and insurance documents were convicted of this offence.

Ask for copies of the sales records.

The working papers prepared by an accountant for year end accounts will not be sufficient to identify if there are a lack of sales records.

Income received at odd times of day

For example, if the majority of card payments are taken between midnight and 6am for a business which is not part of the night-time economy.

This is an indicator of money laundering. The receipt of income at odd times of day indicates the laundering of monies from prostitution.

For example, in the case of *R v Echeazu* at Southwark Crown Court in 2017, Mr Echeazu had allowed persons running a brothel to use a card payment machine issued to his music studio business to collect card payments from brothel customers. This was supported by the timing of transactions and he was convicted of money laundering.

Statements from card payment processors will show the times at which the card payments are received.

Lack of Assets or Supplies

If there is a lack of assets necessary to carry out the core activity of the business, this is suspicious. Or if a business does not appear to have purchased enough goods to generate the reported sales.

This is an indicator that the company is a front for criminality. It is also an indicator of false accounting. For example, in the case of a car hire firm with no cars in the company accounts. The cost of these cars, as well as the majority of the company income, was put through personal bank accounts which were never provided to the accountant.

Stock held will be reported in the accounts. If abbreviated accounts are filed, you may need to request a copy of the trial balance. This will show the stock at the date of the accounts. You could also request stock lists.



Activity or Incident

Why is this suspicious?

Where to look for this information?

Lack of Staff Costs

If the company is in a service industry and has little or no staff or contractor costs, but has reported an income higher than would be possible for the owners of the business to generate themselves.

There may be multiple wages received from different companies on the same day or in the same period. There might also be lot of receipts from agencies or umbrella companies.

If there is a bulk of funds paid to family members or withdrawn in cash rather than spent on direct and administrative costs as in a normal business.

These are indicators that the client may be involved in modern slavery and human trafficking. For example, R v Lupu and others (Blackfriars Crown Court 2019), over 20 victims were found living in squalor, forced to work on building sites and as hotel cleaners with no training or safety equipment and whose wages were paid to their controllers. The controllers had filed tax returns as companies and as sole traders. Their bank statements showed income from multiple construction firms for the same periods and minimal payments to the victims. There are 8,760 hours in a year. When bank receipts for one of the companies were compared to the average rates of pay for the construction industry, it showed that for one year it would have taken 16,930 hours of work to generate the income received.

Staff costs or wages will be listed in the accounts. If abbreviated accounts have been filed, you can request a copy of the trial balance. This will show all of the entries that created the profit and loss account, and balance sheet. Wages and salaries will be an entry on the trial balance.

Loans and Bridging Loans

Companies who are not standard financial institutions granting loans secured on the residential properties of their 'customers'.

Loans recorded as owed to the company where there is no evidence that loans were paid out. Loans secured on residential properties with an interest rate in excess of 100%.

Properties acquired by companies for significantly less than market price when the 'customer' defaults on the loan /struggles to make repayments.

These are indicators of extortion based on the investigations into organised crime families in London.

While the clients presented themselves as businessmen, they were involved in serious and organised crime and the extortion was accompanied by threats of violence that put the victims in fear of their lives.

Loans recorded as owed to the company may appear as a debtor in the accounts or it will be listed as a loan receivable.

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Our Founder, Sofia Thomas, is one of the UK's leading expert on tax relating to family matters. Sofia lectures for Resolution, MBL and the Chartered Institute of Taxation alongside being a regular contributor to professional industry publications including Tax Advisor and Taxation. Her book, *Tax Implications of Family Breakdown*, written in partnership with James Pirrie was published by Bloomsbury this year. Sofia is an associate of the Chartered Institute of Taxation, member of Resolution and accredited expert witness.

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You can contact us at:

T: 020 8914 7837

E: enquires@thomas-consulting.co.uk

W: thomas-consulting.co.uk

Tax Implications on Family Breakdown, Sofia Thomas & James Pirrie



“It deserves to be on every family lawyer’s bookshelf”

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Tax Implications on Family Breakdown provides answers to the most common problems encountered in financial remedy cases. It will assist family law practitioners to spot issues that arise upon family breakdown or financial remedies proceedings.

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