



A View From The Exchange: whistleblower intelligence in the fight against fraud

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With the new Labour government comes a renewed focus on financial crime.

In its manifesto, Labour committed to establishing a "new expanded fraud strategy" to tackle serious fraud, including online, public sector and serious fraud.

Given that Labour's David Lammy, the new Secretary of State for Foreign, Commonwealth and Development Affairs, recently expressed his support for a reward scheme to incentivise whistleblowers, a key part of the expanded fraud strategy could involve introducing such a scheme for those who come forward to provide intelligence of wrongdoing.

While the proposal for a whistleblower incentive scheme was rejected by the Financial Conduct Authority (**FCA**) a decade ago (the FCA's research finding, inter alia, that there was, as yet, no empirical evidence of financial incentives for whistleblowers leading to an increase in the number or quality of disclosures received) the topic has returned, firmly, to the table. Recent consideration by thinktank RUSI points to an emerging body of empirical research indicating that evidence for the effectiveness of reward programmes is significant. There is growing evidence of the deterrent impact of reward programmes, in view of which RUSI suggest "the FCA's case for rejecting [such programmes] now seems pretty thin."

Over the past decade the sharp increase in fraud now makes it the UK's most prevalent criminal offence. Guerilla tactics deployed by fraudsters have highlighted the important role whistleblowers play in providing intelligence to quickly identify and prevent fraud in the financial services sector.

This has incentivised financial services regulators and enforcement agencies (both in the UK and across the pond) to announce their intentions to focus on sources of intelligence to speed up the pace of fraud investigations. To achieve this, the Director of the Serious Fraud Office thinks that whistleblowers should be paid. He points to the approach taken in the USA which rewards whistleblowers between 10 to 30 percent of the total monetary sanction for providing information that leads to successful enforcement action. In a similar vein, the FCA recently spoke of its ambitions to be an "intelligence led organisation" in its pursuit of financial crime offences, with intelligence received from whistleblowers being a crucial element of its intelligence picture (although the regulator has not yet expressed a change of heart as regards whistleblower incentivisation).

Although the details of the new Labour government's expanded fraud strategy are yet to be revealed, we can expect that whistleblowers will play a significant role in the future fight against fraud.

