

## Hiding Property Ownership Through Offshore Structures

### Research Briefing from Dr Kristin Surak and Johnathan Inkley

#### Introduction and Summary

- The use of offshore financial structures to store and protect financial assets is of significant political interest in the UK and beyond. To date, these structures are not well understood. **Labyrinthine processes and infrastructure like layered “shell companies” and trusts can create ambiguity, hide assets and ownership from the sight of governments and researchers**, and lead to concerns around secrecy and even illegality.
- Deep-dive, **data-driven research from LSE’s Dr Kristin Surak and Johnathan Inkley** sheds new light on this clandestine world. Their work provides the first systematic analysis of the **multi-layer offshore structures** that wealthy individuals use to hold high-value residential properties in England and Wales while obscuring their ownership of those assets.
- The research **identifies and names three key patterns of jurisdictional layering that are used obscure ownership and pinpoints the jurisdictions employed**, showing where offshore structuring is concentrated. New regulations have improved transparency, yet there is still a clear challenge. **Ownership of property can still be obscured through multi-layering practices, often done in British jurisdictions overseas**. While enhanced reporting requirements can – and have – helped to reveal ownership, more targeted, jurisdiction-specific reform is required.

#### Offshore Structuring – the Challenges and the Set-Up

- Offshore structuring operates by leveraging the legal possibilities and regulatory gaps that emerge between jurisdictions. Researchers – and governments – know very little about how offshore structuring works due to the purposeful complexity of structures and the paucity of data. However, **since 2023, UK regulations have allowed for more data to be brought together and analysed**.
- Offshore structuring should be seen not in terms of specific geographical locations that money or assets go into, but **a matrix of judicial areas** in which regulations are withdrawn or rewritten to enhance legal and financial benefits.
- Two key layers of offshore structuring are the **entry** layer, which is used to connect into and enter the UK property market, and the **action** layer, where real or projected action of more complex structuring takes place.
- The technique of using an overseas entity to own or hold an asset is known as “wrapping”. Holding companies, or “shell companies”, and trusts are popular entities for wrapping property. Wrapping can be transparent (effectively “single wrapping”), where ownership is clearly visible, but it can also be non-transparent (effectively “multi-wrapping”).
- The research focuses on non-transparent wrapping, where property is “wrapped” by an entry-layer entity, then further “wrapped” by an “action-level” entity, purposefully obscuring ownership. **28% of high-end UK residential properties held by overseas entities use multi-layer (non-transparent) structures**, obscuring ultimate beneficial ownership.

## The Research

- The researchers' efforts to shine light on this complexity brought together data from three sources: the *Free Company Data Product*, the *People with Significant Control* register, and the *Overseas Companies That Own Property in England and Wales* dataset. This full data matched have only been available since 2023, so this represents an entirely new deep dive.
- The data analysed were drawn from details of **31,000 overseas entities** holding a total of **77,000 UK property titles**. The researchers focused on residential properties above a £1m threshold, those most likely to be associated with offshore structuring related to personal wealth. This allowed for an in-depth analysis of **6,120 high-value residential properties**.
- From this data set, the researchers have **precisely identified three dominant patterns of structuring – and exactly where they take place** – which gives policy-relevant insight into different options for hiding ownership that are used in different jurisdictions.
  - *Global Funnels* – these jurisdictions are particularly enticing to overseas actors thanks to the ease and low cost of incorporation, alongside protective legal structures. **38% of entry-layer entities are established through global funnels**. The British Virgin Islands (BVI) was found to be the global funnel where nearly half (46%) of all related entry-layer entities were established, solidifying its reputation as *the* jurisdiction for establishing easy-to-use shell companies, enabling non-transparent UK property ownership. In these cases where addresses do not align, it is **difficult to enforce strong customer due diligence (CDD)**.
  - *Selective Gateways* – these are likely to offer more substantial services than global funnels, **catering especially to those who wish to “multi-wrap” their assets and so even more effectively obscure ownership**. Jersey, Guernsey, and the Isle of Man are examples, and selective gateways account for the creation of 54% of entry-layer entities.
  - *Self-Stackers* - nearly all entities formed here are created by from actors in the same jurisdiction. These appear to operate in an isolated manner, perhaps due to a preference to offer high-end, tailored services. Gibraltar is a good example, with most business (77%) coming from within Gibraltar, rather than externally.

## Key Findings

- These important findings shed light specifically on how offshore structuring relates to the UK property market. They show the different processes used to hide beneficial ownership from scrutiny, and which jurisdictions offer those processes.
- **Beneficial ownership registries can be successful in bringing transparency to ownership**. It was possible to find named ownership in over half – 52% - of the properties analysed after new registration requirements came into force in 2023.
- However, this still leaves a very large lacuna in the data. Ownership of **28% of properties analysed remains obscured because of multi-wrapping**.
- In **global-funnel jurisdictions like the British Virgin Islands (30% of cases), customer due diligence is difficult to enforce**.
- Crucially, many jurisdictions where obscuring multi-wrapping processes are being used are under the UK's political umbrella – from the British Virgin Islands to Jersey and Gibraltar – so **policy levers are available to the UK Government to increase transparency**.