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Citation: Wall, David and Bonino, Stefano (2015) Organised Crime in the United Kingdom. In: Organised Crime Infiltration of Legitimate Businesses in Europe: A Pilot Project in Five European Countries. Transcrime - Università degli Studi di Trento, Trento, pp. 67-74. ISBN 9788884436504

Published by: Transcrime - Università degli Studi di Trento

URL: <http://www.transcrime.it/pubblicazioni/progetto-ar...>
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As for methods of infiltration, the literature suggests that the choice of starting a new business or infiltrating an existing company may depend on the crime plan and business sector infiltrated. Licences, permits, the importance of creditworthiness and an existing customer base are some factors that make taking over an existing business preferable to starting a new one. Quick credit or telemarketing frauds, on the other hand, may be more suitable for new businesses. Both the literature and seminars underline that starting up a new business in Sweden is relatively easy. Some even argue that constantly starting up new businesses has become a strategy for organised crime groups.

Management strategies to infiltrate businesses are perhaps the least researched aspect of infiltration. This may have to do with the fact that some infiltrated companies are used to conduct credit fraud, and when this is done, they simply go bankrupt. Moreover, management strategies may be of limited importance in the legal process. Research suggests, however, that the longer the time frame of the criminal group, the more careful it is to keep the company in general, and the records in particular, in order (see Brå, 2011b). Keeping the accounting by the book is less important in shorter crime plans.

7. United Kingdom⁵⁰

7.1 Introduction

The Home Office (2013) estimated that around 5,500 organised crime groups are currently operating in the United Kingdom and involve approximately 37,000 individuals, mostly generalist career criminals (Francis, Humphreys, Kirby, & Soothill, 2013). The socioeconomic cost of organised crime is estimated at approximately £24 billion every year. The groups involved in serious and organised crime in the UK are heterogeneous in terms of personal characteristics and offending histories and trajectories (Francis et al., 2013), and have different ethnic and national origins. Cross-ethnic partnerships have also been documented (Ruggiero & Khan, 2006). While more traditional, hierarchically structured groups do exist, research shows that many British criminal groups have a loose structural organisation, more typical of a network than a family (Hornsby & Hobbs, 2007; Levi & Maguire, 2004). In other words, they tend to be individuals who decide to join forces for the duration of their criminal activities and dissolve afterwards.

The UK is exposed to organised crime group investments in, and infiltration of, legal businesses, which tend to be used to cover, support and/or facilitate criminal activities. While most business sectors have been targeted at some point in time, the financial sector and cash-rich overt businesses are particularly vulnerable and have been exploited, typically to launder money and invest illicit profits (Home Office, 2013). Whilst most organised crime groups investing in British legal economies are either based or have 'headquarters' in the UK, the literature highlights a number of cases of investments from organised crime groups based outside of (or branching out to) the UK (e.g. Campana, 2011;

Home Office, 2013; Macaulay, 2011; D. Silverstone, 2011). Furthermore, British-based organised crime groups have invested abroad (e.g. in Spain and the Netherlands) and, in particular, have laundered illicit proceeds elsewhere - both in Europe and outside Europe (e.g. Hobbs, 1998; Siddle, 2013; Thompson, 2002).

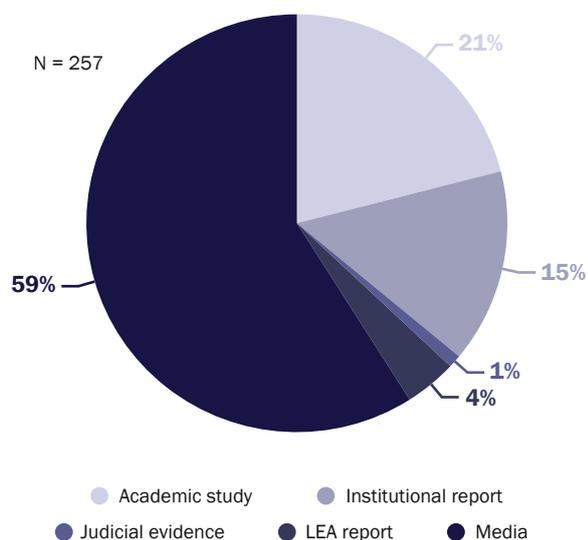
The general extent which organised crime poses a serious threat to British national security is debatable (Campbell, 2014). The context in which 'the extent to which both the criminal actors and the impact of their crimes *in their totality* (*sic*) represents a threat to national security ... remains contested [...although] countermeasures are needed to monitor and inhibit their growth' (Levi, 2014, p. 12). In this sense, the establishment of the Serious Organised Crime Agency (SOCA) in 2006 and its replacement in 2013 with the National Crime Agency (NCA) are indicative of a strong institutional push towards fighting organised crime in all its forms. This push is supported by the introduction of direct and indirect legislation dealing with financial crimes committed by organised crime groups and including, for example, powers to confiscate criminal assets under the Proceeds of Crime Act (POCA) 2002, the criminalisation of frauds under the Fraud Act 2006, and stronger anti-money laundering measures under both the Money Laundering Regulations 2007 and the Counter-Terrorism Act 2008.

50. With the collaboration of David Wall and Stefano Bonino (University of Durham, United Kingdom).

Methodological remarks

Information on organised crime groups' investments in British legal economy is limited. Although, subject to Home Office direction and funding, the UK Police forces tend to operate independently from one another and researchers need to access them separately. The British policing system therefore lacks a structured centralised repository of accessible data on organised crime. Furthermore, inter-agency and public-private partnerships tend to be inhibited by 'differences in formal performance objectives, culture and even personalities' (Levi, 2014, p. 12), which further complicates research on organised crime in general and on investments in the legitimate economy in particular.

Figure 26. Percentage of references to OCG infiltration in open sources by type of source



Source: UDUR elaboration on DCI data

The Database on Criminal Infiltration (DCI), compiled for this research, collected 257 references to OCG infiltration in legal businesses in the United Kingdom. Figure 26 shows the variety of sources used to gather information on OCG infiltration in the UK.⁵¹ These include: academic literature, government strategies, policy reports, police investigations, judicial evidence, institutional reports (e.g. UK Border Agency, HMRC, Organised Crime Taskforce, Financial Action Taskforce), press releases and online newspapers. While the quality of data offered by online newspapers varies, and a lack of centralised

51. References were identified through key words such as: 1) organised crime OR criminal organisation OR criminal group AND infiltrat* (infiltration, infiltrated); 2) organised crime OR criminal organisation OR criminal group AND compan* (company, companies); 3) organised crime OR criminal organisation OR criminal group AND business; 4) organised crime OR criminal organisation OR criminal group AND money laundering.

data on organised crime groups' investments in legal economies presents methodological limitations, the broad variety of sources has provided a useful, albeit preliminary, understanding of organised crime groups' infiltration in British legitimate economies. The DCI is a starting point for assembling a nation-wide overview of infiltration.

7.2 Drivers

The economic downturn and post-2008 austerity measures, combined with the growth of modern technologies provide new opportunities, incentives and avenues to engage in criminal activities that respond and adapt to the changing environment, thus making organised crime an evolving and dynamic threat (Home Office, 2009). According to the Serious Organised Crime Taskforce (2010), profit and power are the over-riding priorities of organised crime groups, whose criminal activities happen to be means to achieve such ends. The current literature on criminal infiltration in the UK demonstrates that profiting from illegal activities, laundering money (this being an indirect form of profit) and concealing illicit activities are the main reasons why organised crime groups infiltrate legitimate businesses in the UK. The literature also highlights that organised crime groups infiltrate economic sectors and businesses that are most conducive to supporting, facilitating and hiding their criminal activities of choice. While small, local organised crime groups tend to operate within their own territories, larger groups operate nationally, often in areas populated with business activities or historically linked to organised crime, and sometimes internationally, taking advantage of the possibility to connect with foreign criminals, to launder money and to commit crimes, such as frauds, that are difficult to detect.

The United Kingdom Threat Assessment (UKTA) identifies the main threats originating from organised crime groups as: '[1] trafficking of controlled drugs; [2] organised immigration crime (people smuggling and human trafficking); [3] financial crime (fraud); and [4] organised acquisitive crime (e.g. armed robbery, road freight crime and organised vehicle theft)' (Home Office, 2011, p. 9). According to the same report, drug trafficking and distribution is carried out by around half of organised crime groups. Money laundering is also connected with many organised crime groups' activities. The observations are in line with the information recorded in the Database on Criminal Infiltration and the references collected show a disproportionate amount of criminal activities clustering around money laundering,

drug trafficking and fraud. Other criminal activities include human trafficking, arms sale, prostitution, counterfeiting, cigarette smuggling, handling of stolen goods, illegal waste disposal.

This is not to say that a traditional goal of organised crime groups - control of the territory - has been completely abandoned. Yet, as research conducted by Hobbs (2001, 2013) demonstrates, the boundaries between the local and the global have intersected and blurred, and as a consequence, the activities of OCGs have diversified and extended beyond clearly demarcated territories. In fact:

[...] unlike previous eras, contemporary organised crime with its emphasis upon drugs, fraud and counterfeiting, simultaneously occupies both the local and global. Further, these criminal activities offer the possibility of moving from one sphere to another (Hobbs, 1998, p. 419).

Certainly, British organised crime groups might seek to control an illicit market, for example the drug distribution in Liverpool and in London (Lavoragna, Lombardo, & Sergi, 2013), or particular communities, such as Chinese criminals intimidating communities of fellow countrymen to expand their interests in the UK (Adamoli, Di Nicola, Savona, & Zoffi, 1998). They may also seek to control a business sector, for example the Bikers' partial control of the real estate sector (Adamoli et al., 1998). However, there is no indication that UK OCGs primarily intend to control a territory or to monopolise a business sector when infiltrating legitimate economies. This may well be a consequence of their criminal activities, which often occur without investments in legal businesses.

It is true that organised crime groups, such as 'Tuckers Firm', used security companies and resorted to violence to control the London and Essex territories by extorting licensed businesses and discouraging competitors' encroachment (Windle, 2013). It is also true that criminal networks appear to have infiltrated the food industry (Elliott, 2013). Nevertheless, many organised crime groups simply trade in the market instead of intending to govern it. This observation relates to the idea of 'functional diversification' of mafia activities that Campana (2011) uses to describe the different purposes of the Italian La Torre Clan's various activities, that is, governing territories and sectors in Italy while simply trading in markets in Scotland and the Netherlands.

Money laundering. The DCI showed a high number of cases in which organised crime groups have laundered money through a broad range of legitimate businesses. Whether it be a local gang, a wider national, more sustained criminal group or a network of criminals operating internationally, money laundering remains a prime motivation for investing in legal businesses, especially money service businesses and other cash-intensive businesses (Organised Crime Task Force, 2013), as they can be used as front companies to legitimise cash obtained from illegal activities. Money has been laundered through businesses within sectors such as bars and restaurants, construction, wholesale and retail trade, transportation and renting of motor vehicles, hotels and other tourist accommodation.

Profit and concealment of illicit activities. The DCI suggests that profit is a key reason behind the infiltration of legitimate businesses and is predominantly made through fraud, drug trafficking and a range of other crimes. These criminal activities often intersect with money laundering insofar as the former might require the latter to legitimise illicit profits. The literature also demonstrates that organised crime groups invest in businesses which make it easy to conduct fraudulent activities ranging from local, smaller frauds (e.g. insurance frauds) to global, multimillion frauds (e.g. VAT frauds).

Box 3. A fraud conducted through a car hire company in the South East

Between 2008 and 2009 a small group of criminals with different roles (director, leaseholder of the office premises, and odd-man) worked in a legal car hire business in the South East and started using the company to conduct frauds. By exploiting the transportation and renting of motor vehicles sector and by using the legal ownership of, and involvement in the car hire company, they rented £500,000 worth of cars from reputable vehicle hire companies using false details and false credit cards. Then, they sold on these cars to other companies in the UK and abroad. All but two vehicles were recovered by the police. The four members of the group were given prison sentences of between 14 months and 4.5 years.

Profit can also be made through other criminal activities for which legitimate businesses can offer support, facilitation and cover. These activities include the sale of counterfeit tobacco in pubs (von Lampe, 2006), human

trafficking in the catering sector (D. Silverstone, 2011), the aiding and abetting of prostitution within escort agencies, illegal waste dumping and avoiding landfill tax and other costs as part of the infiltration of the waste industry (Mills, 2013). Furthermore, criminals have also used sham companies to legitimise corporations that are involved in arms trafficking outside the UK; they have counterfeited currency at printing businesses and vehicle garages; and they have sold both counterfeit pharmaceuticals online and other counterfeit products in retail stores.

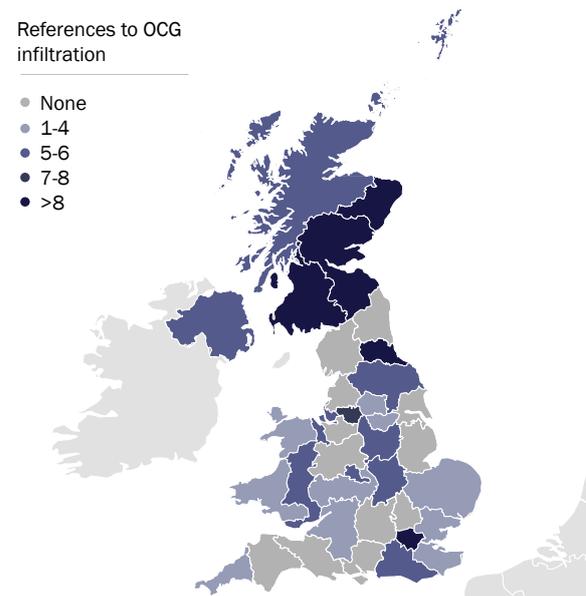
Drug trafficking is the main source of profit of many organised crime groups, however, the main reason for infiltrating a legal business is often to conceal the illicit activity of drug trafficking and other crimes. Examples of such are the use of sham cafés, both to plan and deliver drugs, or as centres for illegal gambling; luxury goods companies to hide heroin dealing or to launder dirty money (or both); clothing companies to cover drug trading activities or to sell counterfeit goods; hairdressing salons to deal cocaine and grocery shops to import and distribute drugs (Hales & Hobbs, 2010).

7.3 Infiltrated territories

According to the Home Office, ‘organised criminal activity is concentrated in London and the South East, the North West and the West Midlands, but all areas of the country suffer the effects of this criminality’ (Home Office, 2011, p. 9). The Home Office further observes that organised crime groups operate across territories policed by different police forces, therefore making it hard to identify the precise location of their activities. Also, far from it being only a nationally and locally situated phenomenon, the infiltration by organised groups also operates transnationally. This is the case when UK-based criminals infiltrate companies abroad to conduct illegal activities abroad and/or in the UK. It is also the case where foreign criminals infiltrate business sectors in the UK and then conduct illegal activities in the UK and/or abroad.

The DCI indicates geographical differences in the infiltration of legitimate businesses. Although we must be wary of the potential bias caused by such low levels of data, the DCI does provide some evidence of a geographical distribution of OCG infiltration in legal businesses, with thriving business areas and territories historically connected with organised crime being particularly represented (Figure 27). Parts of Scotland, for example, appear prone to be targeted (though these findings must be treated with some caution because of low levels of data and possible reporting biases).

Figure 27. Number of references to OCG infiltration in open sources by region (NUTS 2)⁵²



Source: UDUR elaboration on DCI data (N.B. low levels of data)

7.4 Infiltrated business sectors

British organised crime groups infiltrate business sectors that are more easily exploitable in order to support, facilitate and hide their criminal activities of choice. The financial sector is especially vulnerable to money laundering and ‘in excess of £1 billion a year is laundered through money service businesses (MSBs) and informal value transfer systems alone’ (Home Office, 2013, p. 19). Both aggregate level data and specific cases recorded in the DCI confirm that organised crime groups in the UK have heavily infiltrated the financial sector and have made use of money service businesses to launder money (Levi & Maguire, 2004). As identified in the case studies selected for the analysis, weaknesses include structural fragmentations, lack of communication between companies, the exploitability of regulations on intra-European transactions, and problems in the early detection of the criminal activities of small businesses.

Furthermore, ‘illicit profits are often laundered through cash-rich overt businesses, which very often operate on the high street and typically include nail bars, food and licensed premises, companies offering security services, taxi firms and car washes’ (Home Office, 2013, p. 19). The literature, summarised in the DCI, confirms the Home Office’s findings and records a disproportionate number of cases in which organised crime groups have used cash intensive businesses to

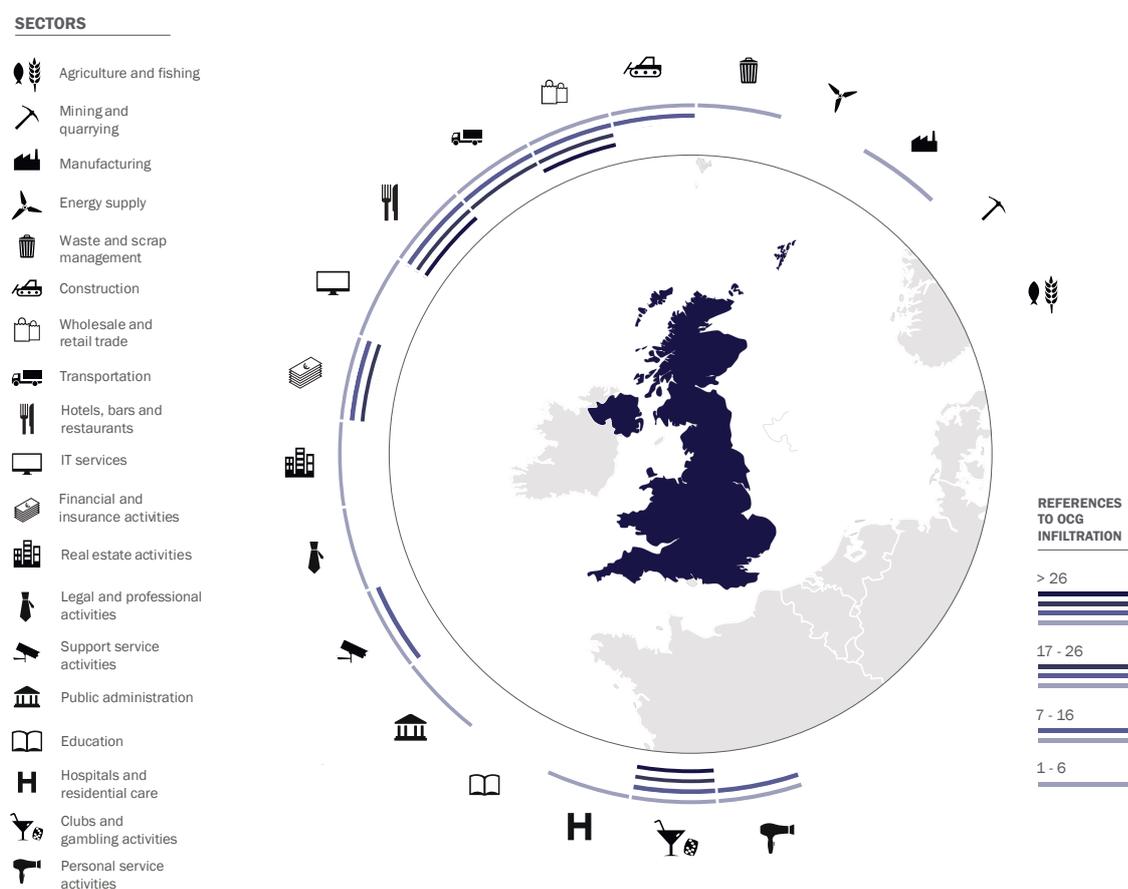
52. Details on the region of the infiltration (NUTS 2) are available for 168 references.

launder money, conduct or conceal drug trafficking activities and undertake other illegal activities, such as prostitution, sale of counterfeit or smuggled goods, handling of stolen goods, human trafficking, and illegal waste disposal. Cash-rich overt businesses present opportunities for crime: they can be set up quickly and cheaply, with a few criteria to be satisfied by the director, and can help legitimise crime proceeds.

Cases of infiltration to facilitate, support and/or hide drug trafficking, money laundering, fraud and other crimes have been recorded within various sectors, such as: personal service activities; hotels, bars and

restaurants (Annison, 2013; Boff, 2013; Hales & Hobbs, 2010; Hobbs, 1998; D. Silverstone & Savage, 2010; Webb & Burrows, 2009); clubs and gambling activities (FATF, 2009a, 2009b; Gambling Commission, 2013); transportation (Home Office, 2013; Organised Crime Task Force, 2013); support service activities (e.g. private security) (Windle, 2013); wholesale and retail trade (Hales & Hobbs, 2010); construction (Campana, 2011; L'Hoiry, 2013); financial and insurance activities (CIFAS, 2013); waste and scrap management (Mills, 2013); and manufacturing (Elliott, 2013). Figure 28 ranks business sectors according to their level of evidence of infiltration by organised crime groups.

Figure 28. Number of references of OCG infiltration in open sources by business sector⁵³



Source: UDUR elaboration on DCI data

Some sectors tend to be targeted in specific locations, although it is hard to make a strong connection between sectors and territories, especially in a country where organised crime groups are not as deeply embedded in social and political structures as is the case in other European countries (e.g. Mafia groups in Italy). Therefore, the most targeted sectors have been infiltrated across very different locations, including thriving business areas, both well-off and deprived areas, and areas

where British organised crime groups have historically had a foothold (e.g. Liverpool, Glasgow, London).

Figure 29 identifies the regions with at least one reference of OCG infiltration in the top 3 sectors for number of references found in open sources: wholesale and retail trade; hotels, bars and restaurants; and clubs and gambling activities..

53. Details on the business sector of the infiltration (NACE 0-digit) are available for 248 references.

Figure 29. Regions (NUTS 1) with at least one reference to OCG infiltration in open sources in the top 3 infiltrated sectors⁵⁴



Source: UDUR elaboration on DCI data (N.B. low levels of data)

7.5. Actors and *modi operandi*

Using ethno-national labels to categorise organised crime groups is very problematic in multicultural countries such as the UK. Ethno-national categories are not homogeneous *per se*, and their members may not be nationals of the countries whose label is attached to them or may not affiliate with such a label. Privileging ethnicity, race and nationality over other social categories does not provide a strongly reliable explanation for organised crime activities in the UK (Murji, 2007). Despite the difficulties in inferring organising principles through ethno-national labels, an attempt is made to provide a very preliminary mapping of the activities of different organised crime groups across different sectors and different territories.

The most active group are British career criminals who are responsible for the infiltration of all the major sectors within all the major territories where references of criminal infiltration were found. 'British' may include a good number of people born abroad and who acquired British citizenship years after migrating and living in the UK (around 6% of the total British population in the Census 2011). All other groups tend to infiltrate London, but also Scotland (Italians), North West and the West Midlands (Chinese), and the South East (Turkish). Most of these groups infiltrate business sectors with a relatively high number of references of infiltration, and possibly those in which they would normally engage in legal activities. For example, the Italian La Torre clan infiltrated Scottish, as well as Dutch and Italian, territories, setting up food and alcohol import-export businesses, restaurants, pubs, health and fitness centres and construction companies in Scotland to be

used to launder money that they had obtained from illegal activities in Southern Italy (Campana, 2011; Forgione, 2009). Similarly, the London-based Baybasin family invested in British cafés and seaside resorts and foreign exchange businesses to launder money and cover drug-related offences. Table 19 summarises the top five sectors and locations for number of references of criminal infiltration by different types of OCGs.

Given that investigations mostly focus on criminal activities, it is not always possible to ascertain the exact methods of infiltration, control and management of infiltrated companies because each stage may take place legally before the criminal activity begins. There are, however, some trends that are observable in the British context and regular (legitimate) acquisition appears to be the main method of infiltration. Criminals tend to purchase companies legally, or employ existing legitimate businesses already owned by a member of the group to subsequently support, facilitate and hide criminal activities. While it is difficult to identify at what exact point a business turns from legal activities to illegal activities and the extent to which organised crime groups target legitimate businesses in which they do not already have any existing participation, the analysis of the case studies has not identified cases in which organised crime groups placed one of their members in an existing legitimate businesses without some sort of pre-existing connection.

54. Details on the region of the infiltration (NUTS 1) for wholesale and retail trade, hotels, bars and restaurants, and clubs and gambling activities are available for 110 references.

Table 19. Top 5 sectors and top 5 regions (NUTS 1) for number of references to OCG infiltration in open sources⁵⁵

OCG	Top 5 business sectors	Top 5 regions (NUTS 1)
British ⁵⁶	Wholesale and retail trade; Transportation; Hotels, bars and restaurants; Financial and insurance activities; Clubs and gambling activities	Scotland; North East; London; North West; East Midlands
Italian	Hotels, bars and restaurants; Wholesale and retail trade; Clubs and gambling activities; Construction; Real estate activities	Scotland; London
Chinese	Hotels, bars and restaurants; Wholesale and retail trade; Clubs and gambling activities; Personal service activities	London; North West; West Midlands
Russian/ Georgian	Wholesale and retail trade; Clubs and gambling activities; Financial and insurance activities	London
Other OCGs	Wholesale and retail trade; Hotels, bars and restaurants; Financial and insurance activities; Transportation; Construction	London; Scotland; South East; North East; North West; East Midlands

Source: UDUR elaboration on DCI

As far as infiltration at management level is concerned, the number of case studies that offer such a level of detail are extremely small in number. Therefore the findings need to be treated with great caution. There seems to be a mix of profitable and non-profitable companies: that is, some companies would survive even without the criminal activities - which may just be a way to increase profit. Other companies, however, would collapse if profits from criminal activities were to be removed, whereas other companies are set up and run illegally from the outset.

Box 4. An unprofitable car hire company partners with a profitable claims management company to conduct insurance frauds in the North East

In what is believed to be the largest ‘crash for cash’ fraud (court case still ongoing) in the UK, a group of criminals scammed insurance companies for hundreds of thousands of British pounds sterling between 2008 and 2010. The owner of a car recovery, storage and hire company formed a partnership with the owner of a claims management and taxi hire/replacement company. Together with the two businesses’ employees, family members and friends, the group defrauded insurance companies as part of a scam that involved staging and voluntarily causing car accidents and fabricating and/or manipulating circumstances. The claims management company could operate legally without criminal activities, and frauds were simply

a way to accelerate business and increase profit levels. However, the car recovery, storage and hire company would collapse once the criminal activities were eliminated. The two companies merged their activities in order to place, layer and integrate cash through personal and business bank accounts and they obtained assets with the aim of legitimising cash gained from fraudulent insurance claims. Economic profit was the main reason for infiltration. The targeted sector was the insurance one, which appears to suffer from structural fragmentation and to be exploitable by criminals. Some members of the group had been active as local criminals in the area for years before this case.

Further and more systematic research is needed in this area, but the DCI as a whole suggests that business sectors are chosen for their capacity to support, facilitate and hide criminal activities. Hence, cash-rich intensive businesses and the financial sector are the main targets of infiltration. Equally, small businesses with low margins of profit and competition from bigger businesses could drive owners to look for illegal ways to increase their revenues. The preference for small sized

55. Details on the region of the infiltration (NUTS 1) and OCG are available for 166 references. Details on the business sector of the infiltration (NACE 1-digit) are available for 206 references.

56. This includes English, Welsh, Scottish and Northern Irish organised crime groups.

companies by many organised crime groups may also be a ploy to avoid early detection. Similarly, the growing number of missing trader intra-community frauds, the vulnerable nature of VAT-free import/export trades to/from Europe may actively encourage infiltration. The use of off-shore bank accounts also helps hide money and assets outside the UK, ensuring that criminals have financial supply to continue their activities and making it hard for law enforcement agencies to follow the money. Finally, criminals often use interconnected companies under the ownership of different members of the criminal groups both to increase the effectiveness of their business and criminal activities and to avoid raising suspicions whilst giving the impression of legitimacy about their activities.

7.6 Conclusions

British organised crime groups operate at various intersecting levels which include local, national, transnational and global territories. These groups are diverse and their members can be, for example, English, Welsh, Scottish, Turkish, Chinese, Vietnamese, Colombian, Russian, or Italian in origin, although these characteristics may not necessarily be relevant to the formation or structure of organised crime groups in a strongly multicultural country. Within the UK, organised crime groups appear to operate predominantly in the London area, the North West and in parts of Scotland. Here, it should be noted that the use of aggregate data and a potential bias in the sources (including news reporting biases) may have coloured these findings.

The criminal activities of choice mostly involve money laundering, drug trafficking and fraud. Some organised crime groups also engage in crimes, such as human trafficking, illegal immigration, arms sale, prostitution, corruption, counterfeiting, cigarette smuggling, and handling stolen goods. They infiltrate business sectors that can be more easily used to support, facilitate and cover such activities. The main reason behind the infiltration of legitimate businesses is profit and/or to conceal illegal activities and to launder money. There is little evidence to suggest that the infiltration is to achieve the higher and longer term goal of controlling territories or core business sectors.

Organised crime in the UK has had a greater impact on the financial sector, private security, transportation and renting motor vehicles, bars and restaurants and the wholesale and retail trade sector. As highlighted by Home Office reports, cash-intensive businesses are extremely vulnerable to infiltration, especially money laundering, while money service businesses are allegedly contributing to the laundering of £1 billion every year. The Money Laundering Regulations 2007

have introduced stricter regulations and responsibilities for MSBs and banking companies, although its success in deterring organised crime groups is to be seen.

Organised crime groups participate in businesses through ownership and management: for example, setting up a business using dirty money or to launder money, or by using an existing business where one or more OCG members is already in place to conduct and cover criminal activities. The drivers for infiltration are many and opportunity plays a major role, especially during a bleak economic climate in which some sectors, for example, cash-intensive businesses such as bars and restaurants experienced a reduction in profits and margins. A number of organised crime groups turn their legal activities into illegal businesses in order to boost their profits. The use of small companies, the exploitable intra-European trade regulations, off-shore bank accounts, etc., all drive and sustain infiltration.