

HSBC is investigated over £134m ‘tax evasion’ scheme

Billy Kenber, Investigations Reporter

March 31 2018, 12:01am,
The Times

Economics

Banking

Law



The bank's role in licensing a scheme to buy film rights will be scrutinised
ALAMY

Share



Save



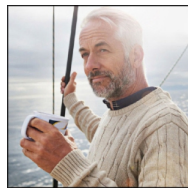
HSBC has been embroiled in a criminal investigation into a £134 million suspected tax evasion scheme created by the bank, *The Times* can reveal.

Three former employees at HSBC's London office have been interviewed under caution for their role in devising a tax scheme that sought to help wealthy backers save millions of pounds in tax.

HSBC earned fees of about £2 million for licensing the scheme, which involved the sale of film rights, to the finance company Zeus Partners in 2008. Ten defendants, including City bankers and financial advisers involved in selling the scheme through Zeus, had previously been charged with cheating the public revenue, an offence that can lead to lengthy custodial sentences.

The charges have been dropped after the Crown Prosecution Service (CPS) admitted that there had been a “fundamental failure of the disclosure process”. It said that there had also been a “stark” failure to pursue lines of inquiry involving HSBC that emerged in the early stages of the investigation, which dates to 2010.

The criminal investigation by HM Revenue and Customs is now focusing on the role played by the bank.



99 Retirement Tips

If you have a £250,000 portfolio, get ongoing updates and download the must-read guide for retirees called **“99 Retirement Tips.”** Don't miss it!

FISHER INVESTMENTS UK

[Learn More](#)

Neil Bowman, a former director at the St James's office of HSBC's private banking division between 2003 and 2009, and two former colleagues, Guy Surtees and Mark Williams, were recently interviewed under caution by HMRC officers. Mr Bowman, who “ran the private client business”, devised the scheme and is thought to have received half of HSBC's fee as his commission.

All three former HSBC employees attended a meeting with a senior tax lawyer who was paid by Zeus Partners to review the scheme in January 2008. Zeus subsequently sold the scheme to 165 investors who poured a total of £134 million into 17 companies that took “high-risk” deals buying film rights from a US company, Seven Arts Entertainment.

The films, which included *Knife Edge*, starring Hugh Bonneville, and *Winter Queen*, starring Milla Jovovich, were not commercial successes despite the efforts of the creative teams.

After they flopped, the companies were declared worthless and investors were entitled to claim tax relief worth significantly more than their original cash investment. This is because up to 84 per cent of an investor's contribution was financed by a loan from Seven Arts which was secured against the companies, meaning that investors were not personally liable when the films failed.

There is no suggestion of wrongdoing or illegality by any of the investors in the schemes. The investors are likely to face large tax bills far in excess of the amount they invested after HMRC ruled that loans taken out by investors in another film tax scheme were to be treated as taxable income even though they had never received the money.

Details of HMRC's failure to investigate HSBC emerged from a letter sent by the CPS to a number of defendants notifying them that it was dropping the charges. In the letter, the CPS said that there had been errors in the drafting of the charges and that it accepted that “the charging decision in the particular circumstances of this case was premature”.

The CPS also acknowledged that there had been “failures to follow some reasonable lines of inquiry during the course of the investigation” and added that “this failure is stark in the case of HSBC”. It said that Mr Bowman, Mr Surtees and Mr Williams had “now been interviewed under caution voluntarily by HMRC, and their position is being considered as part of the re- review.” All three did not respond to a request for comment.

A CPS spokesman said: “The case against the defendants charged with conspiracy to defraud the public revenue was dismissed by the court on the basis of the wording of the charges. The CPS did not make the decision to drop the case.” He said that it had been an “extremely complex case” and that no adjudication had been made by the judge on the handling of disclosure.

HMRC said it could not comment.