

EXECUTIVE SUMMARY

CHEQUES AND BALANCES: COUNTERING THE INFLUENCE OF BIG MONEY IN UK POLITICS

INTRODUCTION

Our democracy has reached a crisis point. With the lowest level of trust on record, shrinking public participation, and the widespread perception that politicians are out for themselves, our political class is vulnerable to being seen as detached from those they are elected to serve. Permissive laws are also increasing the cost of politics rapidly, pushing parties into a new and high-stakes arms race to raise funds. As we watch the consequences of big-money's grip on politics unfold in the United States—where cash can buy access, influence and jobs in the highest office—we ask: is there too much money in UK politics today, are our politicians reliant on too few donors, do voters even know who they all are, and what should be done about it?

Cheques and balances: Countering the influence of big money in UK politics provides a comprehensive analysis of political finance in the UK over the last two decades. It highlights the growing cost of politics, and an increasing dependence by some parties on a small pool of mega-rich donors. Compounded by vulnerabilities in electoral laws that allow questionable funds to enter party coffers, this combination has thrown the door wide-open to cash-for-access, undue influence, and foreign interference.

Big money in politics is now a problem that cannot be ignored. The incoming Government has made a welcome manifesto commitment to protect our democracy by strengthening the rules around political contributions. With its sizeable majority, Labour has an opportunity to reverse a dangerous trend.

This position paper lays out necessary and practical steps to do so.

'We need to have a cap on individual donations... people don't like the idea [that] parties winning [elections are those] who can get the most money from well-off people'

Baroness Harman

MAIN FINDINGS

By analysing publicly available data on political donations between 2001 and May 2024, we found:

- **£115 million** reported by political parties and their members – equating to almost 1 in 10 pounds raised – have come from unknown or questionable sources
- **£48.2 million** comes from donors alleged or proven to have bought privileged access, potential influence and/or honours

- **£42 million** comes from donors alleged or proven to have been involved in other corruption, fraud and/or money laundering
- **£38.6 million** comes from unincorporated associations who have not reported the source of their income, despite Parliament introducing new transparency rules in 2010

THE PROBLEM

As the cost of politics continues to grow, and pressure on political parties to raise money increases, a failure to address longstanding systemic issues have exposed our democracy to significant risks, including foreign interference and undue influence from powerful private interests. The law regulating political finance is built largely around the Nolan Principles of integrity, openness and accountability. While these rules have proven necessary to the proper functioning of our democracy, they are no longer sufficient. Through the analysis of our legislative framework and political contributions over the last two decades, we identified the following four key issues.

The money trap: Growing spending pressures, as well as the absence of donation caps, have left political parties increasingly reliant on a small pool of wealthy donors.

- **Increased spending:** Spending limits at major elections have increased sharply, creating additional pressures to raise more money. The maximum limit for parties, previously at £19 million, now stands at £34 million, with major elections costing up to £100 million including candidate spending and unregulated costs.
- **Mega donors:** Pressures to spend more have resulted in political parties becoming reliant on a smaller number of wealthy donors. Our research shows that in 2023 alone, political parties received £85 million in donations from private sources. With no upward limit on donations, much of this came in large private donations. Two thirds (66%) came from just 19 mega donors giving over a million pounds, with a single donor alone accounting for one in every eight pounds donated that year.

A lack of transparency: loopholes in our law have allowed opaque funds to penetrate our political sphere, undermining the public's trust and increasing the risk of undue influence.

- **Higher reporting thresholds:** In 2023, thresholds for reporting donations increased by almost 50%, going from £7,500 to £11,180 for central parties. By contrast, countries like Canada or the US mandate disclosure of contributions as low as \$200, including aggregates of smaller amounts over a year.
- **Opaque unincorporated associations:** Current loopholes the law mean that most unincorporated associations (UAs) still do not report the source of their funds. This creates a transparency gap whereby the public doesn't know who the vast majority of funders to unincorporated associations are. Given that UAs don't have to carry out checks on their donors, this raises real concerns about foreign influence, impropriety and undue influence.
- **Unclear rules:** Current parliamentary rules for dealing with gifts and hospitality differ to those required of ministers, leading to confusion and 'regulation shopping'. Narrow interpretations of the law by the Electoral Commission mean that donations to prospective parliamentary candidates and ministers are unregulated.

Foreign interference and undue influence:

The corrosive influence of big money in politics has left UK democracy vulnerable to undue influence from large donors, suspicious and corrupt individuals and foreign governments.

- **Funds from questionable origin:** Our research found that since 2001, ten companies have donated £10.9 million, despite not turning a profit or conducting legitimate business in the UK—raising concerns these funds may originate abroad or from illicit activities.
- **Foreign trips and interference:** Our research shows that MPs have accepted over £11.6 million worth of visits abroad funded by outside interests, including £4.6 million from foreign governments, parliaments and state-linked groups since 2001. This is due to a gap in our legislation, which allows foreign governments – including hostile states – to court UK politicians through all-expenses-paid overseas visits.
- **Inadequate policies for handling suspect donations:** Although some larger Westminster parties claim to have due diligence policies, these aren't published and have proven to be inadequate. Where money is found to have come from a questionable – or improper – source, parties do not manage these funds appropriately.

A lack of accountability: clear rules and the threat of penalties are key to ensuring accountability of political parties and those involved in the democratic process. However, the Electoral Commission, in charge of supervising political contributions, lacks independence and the ability to impose real penalties.

- **Lack of independence:** Changes made by the Elections Act 2022 give the Government the ability to set the Electoral Commission's strategic and policy priorities. This fundamentally undermines the accountability and independence of such a body.
- **The absence of real deterrent:** Despite electoral law allowing the Electoral Commission to levy civil penalties, those are insufficient to deter bad behaviour. The current cap at £20,000 falls far short of the recommendations from the CSPL who suggested £500,000 or 4% of a campaign's spend, whichever is the greater. Criminal investigations are also highly unlikely to make it into court, as they are referred to local forces who rarely have the means or technical expertise to investigate these cases.

KEY RECOMMENDATIONS

to safeguard the integrity of UK democracy, the Government should:

1. End the arms race in campaign spending

- Lower spending limits for elections, including leadership contests, to reduce campaign costs and reliance on large donations.

2. Bring dark money out of the shadows

- Introduce an Elections Bill to stop funds of unknown origin from making their way into political coffers, via unincorporated associations and UK shell companies.
- Reduce the reporting threshold for political donations and clarify reporting requirements for ministers, and candidates during the 'long campaign'.
- Require UK political parties to adopt and publish policies outlining how they manage funds of questionable origin.

3. Uphold the integrity of our political system

- Restore the independence of the Electoral Commission and ensure it has the power to pursue effective enforcement action through civil and criminal law.
- Introduce donation caps of £10,000 per year for individuals and organisations, as recommended by the Committee on Standards in Public Life, to remove the corrupting influence of big money in politics.
- Close loopholes to ensure overseas trips for Parliamentarians are only funded by trusted sources, and publish clearer guidance on parliamentarian's acceptance of gifts and hospitality.

Read the full report

