

THE AXIOM LITIGATION FINANCE FRAUD

Half the story provided and none of the awkward questions asked

The Axiom fraud trial concluded last week and its principal architect, a corrupt solicitor Timothy Schools was jailed for fourteen years. It was covered in the inside pages of the national press and given the nature of 24-hour news, it is likely to be quickly forgotten. Certainly, that is what the authorities would like because the fraud illustrates what remains blatantly and unacceptably inadequate regarding the UK's prosecution of serious economic crime. Successive Governments have long known about this major shortcoming. Yet, they have deliberately and shamefully taken either no or inadequate action. Their stance has perpetuated widespread criminality as well as long-standing injustice for countless victims. However, recent coverage of the Axiom trial summarised the fraud in only the briefest terms and asked none of the awkward questions.

Description of the Axiom fraud (2009-2011)

The Axiom Litigation Finance fund was launched in September 2009 by Timothy Schools of ATM Solicitors, Preston to provide financing for "no win, no fee" lawsuits. More than 500 investors contributed a total of £117mn and were promised high returns of 12% per annum net of costs, with the assurance that the money raised would be allocated to high-quality law firms for this purpose.

The fund was domiciled in the Cayman Islands with offices there and in Singapore, Australia, New Zealand and the UK. It had a byzantine structure from the outset, being managed by Tangerine Investment Management, which in turn was owned by the British Virgin Islands based, Otterswick Ltd. Schools was the beneficial owner of Otterswick and Chief Executive Officer of Tangerine, while other principals involved were Ronan Guilfoyle and Graham Hampson, who were based in the Cayman Islands.

Within two years of the fund's operation, Schools was accused of serious professional misconduct and soon afterwards, he sold ATM Solicitors. In August 2012, the Miami-based independent news and investigative website, Offshore Alert run by David Marchant exposed the fraud and suggested that a significant proportion of the money raised had been directed to three law firms, ATM, Ashton Fox and Bracewells, all of which were owned or part-owned by Schools. Another firm of accountants, KPMG Grand Cayman then undertook a review.

In November 2012, Schools resigned as Chief Executive of Tangerine Investment Management and three parties submitted bids to bid to take over management of the Axiom fund. However, one of these was from City Equities, a newly formed entity based in the British Virgin Islands, which was owned by Schools. All three bids were rejected by the Grand Court of the Cayman Islands and Grant Thornton were appointed receivers in February 2013. Three of the UK's major UK accounting firms had thus become involved in various capacities with the fund. However, professional fees do not appear to have posed any difficulties, despite Axiom resembling a major ponzi scheme.

In June 2013, the UK-based distributor of the fund, Taylor Moor was placed into liquidation and the Sheffield-based P&A Partnership was appointed as liquidator, where the partner involved was Brendan Guilfoyle.

The awkward questions

1. Why has the Axiom litigation fraud taken over a decade to come to trial ?

In August 2011, the Solicitors Regulation Authority (SRA) decided to prosecute Schools and a year later, Offshore Alert publicly exposed the scam in a series of revelations. The shenanigans over the fraudulent scheme were so extensive during the second half of 2012 that we question why it took until July 2014 before the Serious Fraud Office (SFO) opened its own investigation and why, as with the Halifax Bank of Scotland (HBoS) Reading fraud, it has taken more than a decade in total to bring the matter to trial ? The Axiom fraud provides an excellent illustration of the major shortcomings in the UK's prosecution of economic crime, which persist to the present day.

Timeline

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| Sept 2009 | Axiom Litigation Finance fund launched |
| Aug 2011 | SRA decided to prosecute Schools |
| Jul 2012 | SRA published its decision to prosecute Schools |
| Aug 2012 | Offshore Alert exposed the Axiom fraud |
| Oct 2012 | KPMG Grand Cayman appointed to undertake independent review |
| Oct 2012 | Axiom Fund suspended |
| Feb 2013 | Grant Thornton appointed receivers to the fund |
| May 2014 | Solicitors Disciplinary Tribunal (SDT) struck off Schools as a solicitor |
| Jul 2014 | Serious Fraud Office opened investigation into Axiom fraud |
| Dec 2015 | Solicitors struck off by SDT over Axiom fraud; also July 2016, Feb 2018, Sept 2018 |
| Aug 2022 | Schools jailed over Axiom fraud. |

2. Why have successive Governments deliberately avoided investigating significant economic crime ?

In May 2014, I sent my first major report entitled "Serious corporate fraud in the UK" to the Home Secretary, Rt. Hon Theresa May MP. It described eleven major frauds **including the Axiom Litigation Finance Fund**, which had not been investigated and asked why this was the case. Instead of engaging with me, she forwarded the report to HM Treasury and three months later, the Economic Secretary, Rt. Hon Andrea Leadsom MP replied saying that no-one had any time to discuss it. Ironically, it was during the intervening period on 10th July, that the SFO opened its investigation.

3. Where has all the money gone ?

The Axiom fraud provides another of countless examples of how offshore tax havens have been used to facilitate economic crime. Successive governments have long known about this and yet, they have deliberately delayed introducing effective legislation to address it. PM Cameron called for a clamp down on tax avoidance in 2013 and three years later, he undertook to introduce a register of overseas owners of UK property. Yet the Economic Crime bill, which was only introduced this year, remains

materially deficient and contains major loopholes which can be easily exploited. Assisted by its own legal department and with access to the best legal advice, Government has had many years to draft the legislation properly, so these failings cannot be anything other than deliberate. As such, the authorities remain complicit with serious economic crime and associated large-scale money laundering, which has been taking place through the UK's offshore tax havens. In the case of the Axiom fraud, the use of tax havens has prevented any meaningful sums being recovered from the £117mn originally contributed by investors.

4. Past President of the Law Society acted for Schools

David McIntosh of Rodney Warren & Co. is a past President of the Law Society of England & Wales (2001-02) and has chaired the City of London Law Society. In March 2009, he was made an honorary QC in recognition of having helped to foster strong relationships between city law firms and the Law Society. He has also been the Chairman of the Solicitors' Indemnity Fund and until November 2013, he chaired the Chartered Insurance Institute (CII)'s Professional Standards Board (PSB). In 2009, McIntosh was included in the Times list of Britain's most powerful lawyers and he has been a regular broadcaster and writer on legal and legal practice issues. His specific achievements have included the Chartered Insurance Institute's governance review (2007), review of the Code of Ethics by PSB working party (2009-2010), independent review of the CII's approach to ethical behaviour, which was implemented with PSB oversight (2008-9), and major work to support the CII's initiative to improve professional standards, as part of the Financial Services Authority (FSA)'s Retail Distribution Review.

McIntosh should have represented the finest qualities of the British legal profession. Instead, in October 2012, the month in which the Axiom fund was suspended, he defended Schools and claimed that Offshore Alerts' detailed allegations of serious wrongdoing were untrue. He also acted for Schools in a High Court libel action against Offshore Alert and Marchant, threatening to sue them for defamation, together with the Mayfair Hotel, if his client's scam was mentioned at a conference, which OA was holding there. We ask whether McIntosh conducted due diligence into Schools and Axiom and whether the Law Society ever censured him over his misconduct. Previously in April 2002, when McIntosh was its President, he was criticised by the Law Society Council for incurring £200,000 in travel expenses. We question which destinations were involved.

5. Plethora of corrupt solicitors involved

We have so far identified fourteen solicitors and two non-solicitors, who have been struck off owing to their involvement in the Axiom fraud and associated wrongdoing. Schools was struck off in May 2014 and further strike offs took place in December 2015, July 2016, and February & September 2018. Numerous professionals based in the north of England participated in the fraud and disgraced the legal profession. According to the SFO, some 35,000 clients also had their cases affected as a consequence of the fraud. Striking off a solicitor is the professional penalty for serious wrongdoing but given the deliberate failure of the authorities to address economic crime either adequately or at all, it remains an entirely inadequate deterrent and there is no substitute for criminal prosecution.

6. Three major UK accounting firms involved

BDO Cayman were the accountants for the fund, while KPMG Grand Cayman later undertook a review and Grant Thornton were appointed as its receivers. Lacking sufficient information, we ask whether the three major UK firms observed their reporting and other responsibilities correctly and acted at all times in accordance with the law.

7. Metropolitan Police officer assisted Schools

In the aftermath of the Axiom fraud, the Metropolitan Police issued Offshore Alert's publisher with a harassment warning and threatened Marchant with arrest, after Schools' daughter Lisa, who was the "senior administrator/office manager" of two firms which participated in the fraud, made false allegations against him. Given that Schools was a former policeman, we ask whether a Metropolitan Police officer was returning a favour.