



**NIGERIA-RELATED FINANCIAL CRIME
AND ITS LINKS WITH BRITAIN**

Michael Peel



CHATHAM HOUSE

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Images (clockwise from top):

Sign next to government buildings in Awka, capital of Anambra state, in December 2004, after a long-running and sometimes violent campaign by powerful business interests to unseat Governor Chris Ngige. The turmoil reflected a sense of gangsterism and insecurity that still persisted in Nigeria well after the return of civilian rule in 1999.

A young man sits on a public bench next to a Lagos building marked with anti-fraud warnings. Such notices are common, and are designed to stop property being sold off by criminals who pose as the real owners.

A sign put up by a business in the Yaba district of Lagos. Although 'passports' is in this case probably being used as a shorthand for 'passport photos', forgery of travel documents is a flourishing industry in Lagos.

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List of Abbreviations/Acronyms

APACS	Association for Payment Clearing Services
CAC	Corporate Affairs Commission (Nigeria)
DCPCU	Dedicated Cheque and Plastic Crime Unit (UK)
EFCC	Economic and Financial Crimes Commission (Nigeria)
FATF	Financial Action Task Force (International Body)
FBI	Federal Bureau of Investigation (US)
FCO	Foreign and Commonwealth Office (UK)
FSA	Financial Services Authority (UK)
HMRC	Her Majesty's Revenue and Customs (UK)
Nafdac	National Agency for Food and Drug Control (Nigeria)
NCIS	National Criminal Intelligence Service (UK)
NDLEA	National Drug Law Enforcement Agency (Nigeria)
OECD	Organisation for Economic Cooperation and Development
OFT	Office of Fair Trading (UK)
SFO	Serious Fraud Office (UK)
Soca	Serious Organised Crime Agency (UK)

About the Author

Michael Peel is a journalist. Between 2002 and 2005 he was based in Lagos as the west Africa correspondent of the *Financial Times*. In 2005–6, he was an associate fellow of Chatham House.

Executive Summary

Financial crime linked to Nigeria is a large and pressing problem for the British authorities, which are short of the information and resources needed to deal with it. Nigeria-related financial crime has grown in significance partly because it is not seen as a priority area. Private-sector fraudsters and corrupt public officials and British companies have profited from the general Western focus on terrorist financing, drugs and people-trafficking. Other types of corruption and money-laundering, some of which involve British business people, have often been neglected.

These general observations could be applied to crimes carried out by the nationals of many countries, including Britain itself. Criminal activity involves only a small minority of Nigerians, relative to the size of the country and the number of its nationals resident in Britain or visiting it. Nigeria is Africa's most populous nation by far and is a former British colony: Jack Straw, the former foreign secretary, has referred to estimates that more than one million Nigerians live in Britain.¹

It is precisely because of these strong and deep links that Nigeria-related financial crime deserves attention. High levels of such crime are very damaging to the image and standing of the many Nigerians who live honestly in Britain or who visit the country to do legitimate business. One Lagos banker has described how the level of crime linked to Nigeria already leads holders of the country's distinctive green passport to be 'victimized' anywhere they go in the world. Equally, the proportionally small but still substantial numbers of Nigerians who are involved in financial crime create a risk of what Tarique Ghaffur, a Metropolitan Police assistant commissioner, has described as large-scale 'contamination of communities' by organized crime.²

Extensive anecdotal evidence suggests that a significant amount of financial crime in Britain is linked to Nigeria. One police officer working on economic and specialist crime says so much Nigeria-related corruption goes through London that he could employ his entire command to deal with it. Another, who works on cheque and credit card fraud, says Nigerians are in the 'top three' of nationalities of offenders with whom his group has to deal.³

The piecemeal figures on Nigeria-related fraud that do emerge seem at times to echo the recent warning of Bob Murrill, head of the Metropolitan Police organized crime unit, that criminal gangs are 'out of control' in London.⁴ On a single day check at Heathrow airport last year, for example, police discovered more than £20 million of forged cheques and postal orders in the courier mail from Lagos. Recent British government research found that at least 13 per cent of Nigerian applicants for visitors' visas and at least 17 per cent of applicants for student visas tried to use some kind of fraudulent documentation, such as forged bank statements or tax returns.⁵

Many informed people think a large amount of Nigerian official corruption passes through Britain. In 2005, the British authorities charged D.S.P. Alamieyeseigha, governor of Nigeria's Bayelsa state, with money-laundering after almost £1 million in cash was discovered at one of his London properties. A Nigerian law enforcement official estimates that between 80 and 90 per cent of the country's 36 state governors own property in Britain, with many also having bank accounts in their own, their wives' or their children's names.

Other important components of Nigeria-related financial crime are the British individuals and companies operating corruptly in Nigeria. London is increasingly attacked for alleged hypocrisy

in failing to keep its promises to crack down on British corruption in Africa. Privately, British business people admit corruption is still commonplace: one British executive working in the oil industry says his company routinely pays immigration officials a bribe worth between 20 and 30 per cent of the cost of expatriate resident permits.

In March 2006, a report by Britain's All Party Parliamentary Group on Africa criticized the 'limbo-like state of anti-corruption legislation', and the 'fragmentation and under-resourcing' of investigatory and enforcing agencies.⁶ The accusations come more than five years after Britain revealed that at least \$1.3 billion looted by the late dictator General Sani Abacha had been processed through British financial institutions.⁷

Nigerians responsible for investigating financial crime in Nigeria have had some successes, but many are under no illusions about how severe and deeply entrenched the problem is after decades of autocratic government, rampant corruption and plunging living standards. Nigeria's Economic and Financial Crimes Commission (EFCC) estimates that in under four years of operation it has recovered £2 billion of criminal money.⁸ One of its officials laments that Nigerian internet fraud has become 'something huge' because the authorities never seriously tried to stop it until very recently. The same could happen in Britain, he warns, if it makes the same mistake.⁹

Introduction

This report aims to look at the background and context of financial crime connected to Nigeria. It focuses on offences committed both by Nigerian nationals in Britain and by British individuals and companies operating corruptly in Nigeria. Its primary purpose is to inform decision-making that will benefit London and Britain. The author hopes it will also be of interest to anyone, in Nigeria and outside, who works on international financial crime and how to deal with it. In Nigeria and Britain, Nigeria-related fraud and corruption is a subject that is often gleefully talked about in anecdotal terms but rarely treated in greater detail. Everyone has their favourite Nigerian e-mail scam story: the purpose of this paper is to set these tales and others on a larger canvas, giving a broader view of a subject that is as infamous as it is under-researched.

The literature on this area is diffuse. While there are many fascinating and important articles on relatively narrow aspects of Nigeria-related crime, broader accounts are harder to find. The authors of a 2005 United Nations report on organized crime in West Africa noted, for example, that they had 'failed to locate any comprehensive study' of organized crime in the region, despite numerous useful articles and other published sources.¹⁰

Nigeria-related financial crime is a huge area that could not be authoritatively covered even in a report several times the length of this one. In an attempt to be as specific and practical as possible, this report restricts itself to 'pure' financial crimes, rather than covering in detail other criminal activities with links to international fraud and money-laundering, such as the drugs trade and gun-running. The main aims of this study are to give a general feel for trends in fraud, corruption and money-laundering and to highlight strengths and weaknesses in both existing laws and the way they are enforced.

In a sense, Nigerian criminals and their Western accomplices are the perfect exploiters of a global financial system that many people see as, in the words of one Nigerian author, 'boundaryless, crude and rude'.¹¹ One researcher in the field has described Nigerian fraudsters as the "'noise" and the nefarious excess of expanding commercial capitalism'. 'It takes little imagination,' he writes, 'to believe that capitalist enterprise means a big hustle, where all gains are ill-gotten, and where the little guy gets ahead only by imitating the big guys.'¹²

Political and Historical Background

The social conditions and modern history of Nigeria give plenty of clues as to why fraud has flourished there. The country is often cited as one of the leading examples of the economic concept of the 'paradox of plenty', which refers to the tendency of resource-rich states outside the Western world to fall into impoverishment, conflict and corruption. Nigeria is one of Africa's richest nations in terms of government revenues, but one of its poorest in terms of the number of people who live without basic needs such as jobs, clean water and good-quality housing. An estimated fifth of children die before their fifth birthdays and millions of people are thought to be HIV positive.¹³

In common with many other African countries, Nigeria is the product of colonial exploitation and gerrymandering, in this case by the British. Formed in 1914 by the fusion of its northern and southern halves, the state of Nigeria is Africa's most populous by far and is home to people from hundreds of ethnic groups speaking hundreds of languages. This has led to political tensions between various parts of a country on which nation status was imposed rather than agreed. One of the main political leaders at the time of independence memorably described Nigeria as a 'mere geographical expression'.¹⁴

Since independence in 1960, Nigeria has suffered six successful military coups, the assassination of one of its leaders and a civil war in which more than a million people are thought to have died. The present administration of President Olusegun Obasanjo, which has been in power since May 1999, represents the longest period of civilian rule since independence. The old military-dominated elite remain highly politically influential, however: at the last elections, both main candidates were former dictators.

Another defining feature of the country since independence has been the rise of the oil industry, which started commercial production in 1956. Oil has dominated the economy, accounting for about three-quarters of government revenues and well over 90 per cent of export earnings.¹⁵ It is a situation that most people agree has led to long-standing neglect of other sectors of the economy.

After the mini-booms in world oil prices in the 1970s and early 1980s, Nigerian administrations, in collaboration with Western governments and companies, began a disastrous programme of investment in industrial projects. Once the oil price tumbled in the 1980s, Nigeria was tipped into a debt crisis from which it was only – partly – freed under a 2005 agreement with the Paris Club of rich nation creditors. Under it, Nigeria agreed to make a lump sum payment of \$12.4 billion in exchange for relief on a further \$18 billion of debt.¹⁶

The economic crisis in the intervening years was exacerbated by the corrupt behaviour of successive military governments, with which Western companies and countries, including Britain, often enjoyed good and commercially lucrative relationships. According to one estimate, Nigerians' incomes fell by three-quarters between 1981 and 2000, amid currency devaluation and high inflation.¹⁷ After four years in office, President Obasanjo's government started a programme of economic and political reforms that has been much praised by rich nations. In Nigeria, the reaction has been much more ambivalent, with people praising some individual policies while condemning others and complaining almost universally that civilian rule has brought little or no improvement in their standards of living.

As with other former British colonies, Nigeria's links with London remain strong at a personal level. No one knows how many Nigerian nationals live in Britain, although Jack Straw, the former foreign secretary, told an audience in Nigeria in 2006 that there are 'said to be over a million'.¹⁸ Nigerians are numerous in many professions in Britain, such as law and banking, as well as in more itinerant trades such as security work, minicab driving and parking ticket patrols. Like members of other poor-country diasporas in the rich world, some Nigerians are also heavily involved in crime.

The commercial links between Britain and Nigeria are also relatively large, although weaker than they used to be in the days when Nigeria had even more disposable wealth for consumer imports and building contracts. The most significant connection now is through Royal Dutch/Shell, the Anglo-Dutch oil company, which pumps almost half of the country's crude.

Nigeria occupies a moderate but increasingly high-profile position in London's foreign policy priorities. It is important both as one of the world's leading energy exporters outside the Middle East and as a crucial plank in the Blair government's efforts to promote political and economic reform and poverty relief in Africa. The British Foreign Office has identified energy security and money-laundering as among its main policy priorities.¹⁹ It describes the relationship between the two countries as 'close', adding that Britain is both the largest investor in Nigeria and the biggest bilateral aid donor.²⁰

The relationship has grown closer since the re-election of Mr Obasanjo in controversial circumstances in 2003. Over the last two years, London has led international praise for the government's economic and anti-corruption programme and has promoted Nigeria's case to the Paris Club. Some critics argue that, while the administration has registered some significant achievements, these are limited in their scope and have occurred alongside many continuing instances of corruption and abuses of power.²¹

Types of Financial Crime

The types of Nigeria-related financial crime are far too vast to be listed exhaustively, but certain themes keep recurring. Even from a brief survey, it is clear both that the volume of crime is large and that the systems for dealing with it are often inadequate. Most of all, the examples that follow highlight the adaptability of fraudsters, who respond to the closing of one loophole by immediately searching for another.

It is important to remember that none of these types of frauds is unique to Nigeria. In some cases, such as frauds involving e-mails and websites, the ultimate source of the crime is untraceable. In other words, just because a certain type of crime is traditionally associated with Nigeria does not necessarily mean all crimes of this type necessarily have a Nigerian connection.

Nor is the underbelly of London necessarily cleaner than that of Lagos. In one internet chat-room discussion, a contributor pointed out that real estate fraud happened 'often enough' in England, especially with unregistered land or when the owner was elderly and absent, perhaps in a nursing home. Equally, fake passports and driving licences, a staple of Nigeria's huge so-called informal economy and an essential tool in money-laundering, can be bought relatively easily in London.²²

Neither should any of the frauds be seen as quintessentially Nigerian in terms of 'national character' or some other crude, crypto-racist generalization. Rather, many Nigerians would argue, the prevalence of fraud is a reflection of a turbulent history, weak institutions, grindingly tough social conditions and – perhaps most of all – an economy monolithically focused on oil and the revenues that flow from it. Faced every day with the reality of this pot of huge but inaccessible wealth, many people's lives are spent scrambling, in all sorts of adaptive and inventive ways, to see if they can get a cut, by whatever means.

A. Advance fee and internet frauds

The classic Nigeria-related financial crime, attempted daily on office workers and other e-mail users throughout the world, is the so-called advance fee fraud. They are often known as 419 sections, after the relevant section of the Nigerian criminal code. Typically, the sender will seek to involve the recipient in a scheme to earn millions of dollars through illegal acts. This could be through helping transfer money supposedly stolen from Nigeria or another country by a late dictator, or through taking a cut on a big public works contract. Targets who are sufficiently greedy and gullible to agree will gradually be asked to make payments of some thousands of dollars to cover fictitious local taxes, spurious regulatory fees or non-existent legal costs. If the fraudsters time their requests well, the targets may end up paying several instalments: each time the victim increases his or her investment, it makes it harder psychologically to give up, as that would involve an admission of defeat and loss of the money.

Advance fee frauds have been around for centuries, most famously in the form of the 'Spanish prisoner' scam. In this, a wealthy merchant would be contacted by a stranger who was seeking help in smuggling a fictitious family member out of a Spanish jail. In exchange for funding the 'rescue', the merchant was promised a reward, which of course never materialized. In the early twentieth century, the *Nigerian Customs and Trade* even printed a letter from Britain's ambassador in Spain warning the public in Nigeria to be 'upon their guard' against the scam.²³

It is generally thought that advance fee frauds really took off in Nigeria during the 1980s, when the economy collapsed and corrupt military dictatorship once again became entrenched. There

are now many variants of the scam, such as letters or e-mails that tell recipients they have had a huge win in a national lottery and need only pay some modest fees to collect their money. In another, baroque, example, fraudsters meet their victims and show them a suitcase full of purple-coloured papers that they say are US dollars treated with a special chemical. They then ask the victim to pay for another reagent to 'clean' the dollars, in exchange for a share of the loot. To make the sting more believable, they produce real dollars pre-coated in iodine and Vaseline and wash them clean in a 'special' mixture, which is often little more than souped-up washing-up liquid.²⁴

The frauds are often mischievously inventive and run on an industrial scale. Britain's *Guardian* newspaper reported in 2005 that Spanish police had arrested more than 300 people, many of them Nigerians, in a scam run from Málaga post offices. Victims were mailed letters that tried to persuade them to pay thousands of pounds each for benefits such as a Spanish lottery win, a share of Saddam Hussein's family savings or money allegedly looted from the rubble of the World Trade Center after the September 2001 terrorist attacks. Spanish police said the gang had spent more than £7 million a year on sending up to 18,000 letters a day and other costs, such as hosting victims in top Spanish hotels, where they were shown chests full of fake dollar bills. In 2004 alone, 1,000 victims of the scam from 45 countries, including Britain, reported losing an average of £7,000 each. Police estimated the actual proceeds of the crime, taking into account victims who had not reported their losses, at ten times that amount.²⁵

Little work seems to have been done recently on the impact of advanced fee frauds in Britain. Many of the crimes go unreported, but the few figures available at least give a sense of the scale of the attack on the financial system. It has been estimated that Nigerian-style advance fee frauds cost the economy £150 million annually, with the average losses per victim a not insignificant £31,000. Between 2000 and 2003, according to Cifas, a consumer credit industry body, the National Criminal Intelligence Service (NCIS) identified 78,000 Nigerian-style letters, faxes and e-mails in London alone.²⁶

In its latest annual assessment of criminal threats to Britain, NCIS quotes figures from as far back as 2002. Then, it said, it received information about 419-related losses of more than £8 million.²⁷ This comes nowhere near to representing the scale of the problem, as some victims reported their problems directly to local police forces, while others did not tell the authorities at all.

One British bank says it has seen a sharp rise in 2006 in Nigerian involvement in so-called 'phishing' attacks, in which an e-mail purporting to come from the bank asks customers for sensitive information such as their account details and PINs. According to the bank, the number of phishing attacks it identified grew from under 50 in February to almost 400 in April, resulting in losses to customers of more than £67,000. A bank security official reckons that between 70 and 80 per cent of the attacks are carried out by Nigerians, who were barely involved six months before.

The official attributes this startling change to the increased accessibility of phishing software on the internet. By the same token, he predicts Nigerians will become more involved in other types of electronic scams, as 'Trojan' software that can extract personal information from fraud targets' computers becomes more widely available on the internet. 'As technology improves, in Nigeria, I can only see it getting worse rather than better,' he says.

Nigeria's Economic and Financial Crimes Commission says it receives thousands of complaints about e-mail scams every day, although it claims the number has been greatly reduced since it

started to pursue fraudsters. Many fraudulent e-mails are now sent from other West African countries and European countries, in part, officers say, to disguise their Nigerian origins. The EFCC comes across few British victims, although it says London is used as a location to defraud people of other nationalities. One favoured fraudsters' trick is to book in to a smart hotel near the Nigerian High Commission on Northumberland Avenue in central London and pose as high-ranking government officials who are in town for a visit. A Swedish-Turkish student was swindled out of \$30,000 in this way by con-men who knew they were unlikely to be pursued and caught by British authorities preoccupied with other matters. This sense of impunity spreads by word of mouth among the fraudsters, according to an EFCC official: 'They feel "you go to the UK, collect the money and come back to Nigeria".'²⁸

In the US, a few pieces of interesting and suggestive data on internet frauds have emerged from an organization called IC3, which was set up by the Federal Bureau of Investigation and the National White Collar Crime Center to better track the extent of fraud. IC3's 2004 annual report shows that, although so-called 'Nigerian letter frauds' represented only a tiny fraction of the total number of fraud complaints, they tended to be among the highest-value crimes in terms of losses per victim. For example, while the median loss per fraud was \$219.56, the figure for Nigerian letter frauds was \$3,000, the second highest of any of the types of frauds reviewed. An IC3 analysis of the nationalities of the perpetrators of the frauds reported to that 2.87 per cent were Nigerians: a small proportion, but big enough to put Nigerians third, behind only US and Canadian nationals in terms of numbers.²⁹

Ultrascan, a Netherlands-based consultancy, is one of a small number of organizations that has tried to estimate the number and value of advance fee fraud scams worldwide. In an analysis of dozens of mostly rich countries, it concluded that the total losses to British companies and individuals in 2005 were \$520 million, second only to the US at \$720 million. It further estimated that 20 scam rings comprising, on average, dozens of members were active in the UK. The survey gives little indication of its methodology and the company itself admits its figures do not show the 'complete advance fee fraud situation': in most cases, it speculates, its estimates are 'low' or 'extremely low'.³⁰

The US Federal Bureau of Investigation says what it terms 'Nigerian Criminal Enterprises' are 'some of the most aggressive and expansionist international criminal groups and are primarily engaged in drug-trafficking and financial frauds'. Their most profitable activities, the FBI says, are trafficking of south-east and south-west Asian heroin into Europe and the United States, as well as cocaine trafficking from South America into Europe and South Africa. The links are made through the large population of ethnic Nigerians in India, Pakistan and Thailand, which account for more than 90 per cent of worldwide heroin production.³¹

The FBI says financial frauds by Nigerian Criminal Enterprises have led to losses estimated at between one and two billion dollars in the United States alone, and may be twice as much worldwide. The schemes are diverse and target individuals, businesses and government offices. Insurance fraud involving automobile accidents, healthcare billing scams and life insurance schemes are very profitable, as are bank, cheque and credit card fraud schemes.³²

As their methods suggest, the fraudsters' emphasis is often on blanket coverage rather than on selecting potential victims who might be thought more likely than most to fall for the scam. Over a three-day period in July 2005, for example, the director of Britain's Serious Fraud Office, who might be thought to be more attuned than most to these scams, received nine advance fee fraud e-mails.³³ Intriguingly, according to the Metropolitan Police many of those who are taken in are business people and professionals such as doctors and lawyers.³⁴ (See Box 1.)

BOX 1: THE PSYCHOLOGY OF 419S

One question recurs time and again in conversations about some of the blunter and more obvious e-mail scams emanating from Nigeria: why on earth do people still fall for them?

The obvious answers – greed, naivety and a certain amorality when it comes to money – are undoubtedly often right. Toughened by circumstances, Nigerians are probably better equipped than most people to achieve the blend of creativity, charm and coercion needed to carry out a successful sting.

But there is also an intellectual underlay that is worth examining. Prominent in this is an enduring and profound ignorance in Europe and the US about African countries and what they are like. At its least offensive, this is a product of schoolday encounters with *Heart of Darkness* and similar books, which present Africa as a place where weird and inexplicable events are the norm. Frieda Springer-Beck, a German woman who lost hundreds of thousands of dollars to a scam and now works with the EFCC, admits the continent was ‘strange’ to her when she was approached by a Nigerian con man. It seemed entirely plausible that, as she was told, her late husband, who ran a paintbrush-making factory in Germany, also had large investments in a Nigerian power project.

At their worst, the argument goes, scam victims are led by a conscious or subconscious white Western sense of racial superiority. The fraudsters play on the enduring myth of African infantilism and simple-mindedness: a European who believes in this might find it unremarkable that a Nigerian holding tens of millions of dollars would be clueless about what to do with it. In such circumstances, what could be more natural than to turn to the clever white person for help?

All this helps explain why some Nigerians, as well as expatriates who know the country a bit, have a sneaking admiration for the young men who turn the tables on their Western targets. As one British-educated Nigerian lawyer says of many 419 victims: ‘They are racist bastards. What they don’t realize is our people are a lot smarter than they give us credit for.’

One reason why advance fee frauds generally attract little official attention and analysis is that their victims are seen as deserving ridicule more than sympathy. The advance fee fraud scenarios are often absurd and the dupes at best hopelessly greedy, or at worst prepared to abet serious criminal offences, such as looting public money from a poor African state. E-mails are frequently littered with misspellings and unusual grammar, incorrect nomenclature and even supposedly British names that have never before been seen in the English language. Many fraudsters offer their targets every reason and opportunity to be suspicious; police and other observers say one of the reasons these crimes often go unreported is that the victims feel a sense of embarrassment or shame.

Many people in Britain and Nigeria say, more or less explicitly, that the victims of these frauds should be left to their own foolishness and venality. The Foreign Office does not keep a formal log of victims’ reports of Nigerian advance fee frauds, arguing that the police have much more important things to do with their time. ‘It’s cruel to say,’ notes one British banker ‘but it only affects the stupid and the greedy, frankly.’

Yet, for all the partial truth of that observation, it is perhaps a mistake to dismiss the fraudsters and their victims as two sets of people who probably deserve each other. Many advance fee frauds are sophisticated and some are plain nasty: in one, calls to Nigeria are intercepted and the callers told that the people they are trying to telephone have been in car crashes and need money wired over immediately for surgery on life-threatening injuries. Other stings involve apparently legitimate business transactions, in which the fraudster sells land, goods or buildings he doesn’t actually own. In one case, the open lobby of a Lloyds TSB branch in London’s Oxford Street was used by a Nigerian con-man to hold a business meeting with a German industrialist who was then defrauded of £1 million.³⁵

Even if advance fee frauds are reported to the British authorities, they are often not pursued because of a lack of resources or because there are doubts about where the responsibility for

investigation lies. For example, according to one Foreign Office official, a lottery scam could arguably be a matter for either the Office of Fair Trading or the Department of Trade and Industry. One former OFT official says his organization frequently did not follow up on Nigeria-related cons because 'we didn't know who to go to'. All he would generally do is send a note to the internet host company asking it to shut down the offending e-mail account or website. The Foreign Office also forwards complaints on to host companies, but usually too late to do any good. 'Nine out of ten times it's already defunct,' an official says. 'These people don't hang about.'

In Nigeria, by contrast, these crimes have been taken increasingly seriously over the past few years, with hundreds of arrests being made. As many Nigerian officials and business people have observed with regret, advance fee frauds constitute perhaps the single biggest factor damaging the country's reputation overseas: for many Britons, scam letters will be their only exposure to Nigeria. As one Lagos banker puts it, 419 frauds contribute to a situation in which holding the country's distinctive green passport 'usually leads to you being victimized anywhere you go in the world'. Or, as a British academic once asked rhetorically, on receiving yet another 419 e-mail: 'How much damage does that do?'

As part of a crackdown on 419s, the Nigerian authorities are putting increasing pressure on internet service providers to provide information and perform lawful e-mail interceptions. One provider says he and his colleagues have grown 'fed up' with what has become a 'daily job' of responding to police requests. A national cybercrime working group, which includes representatives from government, the security services, law enforcement and the private sector, has drafted tougher laws on data retention and interception. The proposed legislation, known as the Computer Security and Infrastructure Protection Act, is designed to make prosecutions easier and provide a framework for cooperation with law enforcement agencies in other countries.³⁶ As in Europe, the law changes are likely to prove controversial, especially in the light of the Nigerian state's long record under military dictatorship of autocratic rule and human rights abuses.

One of the cybercrime group members says that, even if the laws are passed, the authorities will need to build a huge amount of infrastructure for e-mail monitoring. They will also need to crack down on so-called 'briefcase businessmen', especially from Europe and Israel, who sell a lot of the satellite infrastructure on which e-mail frauds are carried out. These people 'have no office in Nigeria, they have no obligations in Nigeria, they are not licensed,' he says.

The need for more action on advance fee frauds in both Britain and Nigeria is arguably increasingly urgent. One of the side-effects of the growing technological sophistication of the world financial system is to make these scams much easier. Fraudulent letters that previously had to be sent by phone or fax can now be e-mailed, reducing production costs and greatly increasing the volumes that can be transmitted. Instant credit card billing and other quick payment methods can also be exploited for criminal purposes. At the deepest psychological level, fraudsters recognize and benefit from the fact that the steady advance of consumer culture and the increasing pace of commerce leave potential targets with less and less time to stop to think.

Some people argue that foreign countries, including Britain, should make a much bigger effort to gather intelligence on advance fee frauds, as well as other types of Nigeria-related crime. As Ultrascan, the Dutch consultancy, puts it, 'everyone has a piece of the picture, but no-one has the full picture'.³⁷ The 419 Coalition, an anti-scam body that has a detailed website but is vague about its origins, says countries should have a centralized, single place for submission of reports by those targeted by scams.³⁸

One Nigerian law enforcement officer warns that it is potentially catastrophic for Britain and other rich nations to ignore these frauds. They are the crude surface manifestation of criminal networks that flourish precisely because people dismiss them as not worthy of serious attention. 'That was the mistake we made earlier,' he says. 'If there is no shift in this position, this problem will become something huge, like we have experienced in Nigeria.'³⁹

B. Cheque frauds

On a single day spot check at London's Heathrow Airport in 2005, the British authorities found more than £20 million of forged cheques and other financial instruments in packages sent from Nigeria.⁴⁰ This was lower than expected. The couriers had been warned in advance of the inspection, enabling them to be more rigorous about their own checks: customs officers said the weight of mail was much lower than on a typical day. Other, unannounced, interceptions have found that almost the entire weight of mail from Nigeria consisted of forged documents. The volume of fraudulent material has 'overwhelmed' both the courier companies and the British authorities involved, says one police officer. 'I have always asked – what do you need to send from Lagos to London in a package that you can't get here?' he says. 'Bushmeat is one thing. But what else?'

Fraudulent transactions flow with the courier mail between Britain and Nigeria, in both directions. They are high-value, often highly successful and high-speed in their evolution. As one courier company executive in Lagos, where big businesses such as DHL, FedEx and UPS operate, puts it: 'As soon as you discover one scam here, there is another one.'

Nigerian and British police say one of the biggest recent postal scams has been for gangs to send counterfeit cheques and money orders to Nigerians in London, who then distribute them to victims in Britain and elsewhere. This helps disguise the Nigerian connection, which would be likely to make some recipients suspicious. The cheques are often used to pay for goods bought by mail or over the internet.

Internet auction sites are a favourite target for cheque scams. Typically, a fraudster will agree to buy a product and ask if it is all right for his relative, who owes him money, to make the payment. If the seller agrees, the fraudster's 'relative' will send through a cheque made out for the amount of transaction, plus a little bit extra. The seller is asked to send the difference on to the fraudster, perhaps after taking a small cut. So, for example, a seller offering goods at \$5,000 might receive a cheque for \$6,000, of which he is asked to send \$900 to the fraudster and keep \$100 himself for his trouble. The scam's subtle ingenuity is that the seller lowers his guard in part for financial gain and in part because he thinks the fraudster is trusting him.

Another variant, according to Nigerian investigators, involves a fraudster tempting a victim to invest a large amount, such as \$150,000, in a project in Nigeria. If the victim comes back and says he can afford only \$30,000, the fraudster promises to raise the remainder of the money from his associates. These 'associates' then send forged cheques worth \$120,000 to the victim to pass on to the fraudster. By the time the victim has discovered the scam, he has already wired the money and lost it.⁴¹

In the first quarter of 2005, courier companies and authorities in Nigeria and Britain began to notice a sharp rise in the number of packages containing forged US postal orders. One courier industry executive describes how his company had been congratulating itself on its success in getting 100 more packages than normal to send out each day. Unfortunately, it discovered the extra business had a sting in its tail. 'We were patting ourselves on the back for our marketing efforts,' he says. 'Then we started getting feedback from the FBI.'

This cheque and postal order forgery has gone well beyond the cottage industry stage and into the realm of industrial operations. According to the EFCC, fraud rings are often based around legitimate printing businesses that also supply false documents to syndicates in Europe. 'In the daytime they print normal things,' says Olaolu Adegbite, head of the EFCC's advance fee fraud unit. 'At night-time they lock the door and manufacture cheques. These things are made in the hundreds of thousands.'

The scale of the cheque and mail order fraud being perpetrated through the mail system is clear from figures collected by police in London. These numbers are based on random spot-checks by British Customs on mail arriving from Nigeria. The data are collected by the Dedicated Cheque and Plastic Crime Unit, a specialist group of City of London and Metropolitan Police officers funded by the banking industry. One officer at the DCPCU says Nigerians are in the 'top three' of nationalities of offenders with whom his group has to deal.⁴²

The unit's figures are piecemeal but revealing. The first striking point is how many packages contain fraudulent materials and how high the volume of fake transactions is. The numbers are large even if one takes into account Customs' selectivity in searching only those packages they see as most suspicious. In 2004, for example, in a survey of about 220 packages, Customs discovered cheques with a total face value in British and foreign currency of about £46.1 million. That represents an average of more than £200,000 of forged cheques per searched package.⁴³

It is not just a London problem, either. One police officer describes how 'huge amounts' of false passports and cheques are coming each day through provincial airports such as Birmingham and Stansted, as well as through Heathrow. The forgeries are done on an industrial scale and they are of good quality, not simply put together by 'somebody sitting with a potato and a razor'. In one incident last year at a parcel centre in Coventry, Customs officials reported seizing £1,078,739 in cheques concealed inside a single handbag. British officials at first thought the cheques were genuine, learning only later that at least some of them were forged.⁴⁴

A second feature of the data is the extent of fraud perpetrated in the US, the Euro zone and even further afield. Intended victims in one small sample of cheques seized by the DCPCU were from Puerto Rico, Canada and Essential Office Products, a company in Burswood, Western Australia. In a nine-month period in 2004, British sterling cheques accounted for well under a third of the face value of forged financial instruments that were seized: sterling cheques came to £13.9 million, US dollar cheques to \$27.6 million (£15.7 million), and euro cheques to €23.6 million (£16.5 million). In 2005, of 27,543 cheques seized, more than 23,000 were written in currencies other than sterling. Put simply, Britain seems to be not only a major site of Nigeria-related fraud, but also a key conduit for scams elsewhere.⁴⁵

For all the fraudsters' focus outside Britain, the figures suggest it would be a mistake for the London authorities to see the mail scams as fundamentally somebody else's problem. The collated numbers represent only a fraction of the fraud actually being attempted, as many cheques are left blank to be filled in by accomplices in Britain. More often than not, these cheques are sterling denominated: in the first quarter of this year, for example, the 1,220 blank sterling cheques that were seized exceeded the numbers of blank US and euro cheques combined.⁴⁶

It is also clear that an appreciable number of the frauds are actually carried out in Britain, with much still hidden and under-researched. The Dedicated Cheque and Plastic Crime Unit estimates it has saved the financial industry as much as £4.4 million through its work on Nigerian mail fraud: that represents a significant proportion of the organization's estimated total savings of

more than £100 million over the four years of its life so far. On an international scale, the throughflow of scams in packages bearing British stamps and postmarks risks damaging the country's reputation as a place to do business.

Nigerian cheque fraudsters appear to profit from systemic weaknesses and shortages of investigatory capacity in both Nigeria and Britain. The EFCC says it successfully reduced courier crime by intercepting packages and arresting receivers. The only problem was that the fraudsters simply started using the courier mail in the neighbouring republic of Benin instead.⁴⁷ In other words, ending one opportunity merely drives the criminals to find another: for law enforcement officers, it is, as one Metropolitan Police officer says, like 'trying to nail jelly to a wall'.

The courier companies in Nigeria say they have taken increasingly stringent measures to combat the fraud problem. One records details of all cheques and other financial instruments that are sent by post. Another has imposed a limit on the number of cheques that can be sent per package: none at all at first, later relaxed to three. Some British police remain sceptical about how serious the companies' efforts are, however, pointing out that a crackdown is not really in their interests: the frauds help boost mail volumes and revenues. 'They know they are sending fake financial instruments,' says one officer. 'That's not their concern.'

Fraud among courier company employees is another contributor to the broader problem. One executive says that collusion between groups of staff members, or between staff and fraudsters, is more extensive in Nigeria than in most countries. His company has a policy of not keeping workers in sensitive jobs too long; it also sacks about a tenth of its couriers each year for theft or attempted theft.

The companies have difficulties in their front offices, too. Counter staff who deal with customers are supposed to open packages if they are suspicious. But most of the time things go through unchecked, especially if they are sealed, admits one executive. He is sure that workers are sometimes bribed not to examine packages.

A further complication is that the courier businesses often see the Nigerian authorities as part of the fraud problem, rather than potential allies in addressing it. The companies are inspected by myriad organizations, including the Economic and Financial Crimes Commission, National Drug Law Enforcement Agency (NDLEA), National Agency for Food and Drug Control (Nafdac), Customs, the Nigerian Immigration Service, the Standards Organization of Nigeria and Nipost, the state mail company. One executive suggests all except Nafdac and the EFCC are at best obstructive and at worst corrupt.

Another executive claims he has been wrongly arrested a number of times over scams involving goods shipped by his company. He says four officers from the NDLEA are permanently stationed at his offices. He notes, in an understatement, that they are 'not too helpful', and that sometimes they assist fraudsters in exchange for a cut of the proceeds, such as a mobile phone or a watch. He says the company has told NDLEA bosses about this, but they do no more than change the staff round from time to time.

The NDLEA declined a request for an interview. An official said everything the organization did was 'top secret'. It referred questions to an official from the British High Commission, with which the NDLEA has been working. No one from the High Commission was available for interview on this subject.

In Britain, the police say constraints of resources and time stop them tackling mail fraud more aggressively. They are not able to alert all potential victims whose names they find on cheques, so they do not tell any at all.

Officers say it is rarely worth their while to raid the destination addresses to which the forged cheques are sent. The Regulation of Investigatory Powers Act makes it time-consuming to get permission to do this: the days of an officer just putting on a Royal Mail or courier company jacket and going round to the house to do a controlled delivery are gone. For a busy officer, it is a lot of work to do for the possibility of catching, at best, a low-level criminal who spends his or her days sticking stamps on the envelopes. There is anecdotal evidence that some of those involved in mailing out the cheques are recruited over the internet and may not even be aware of the conspiracy they are helping. So lean and efficient are some of the operations that even the stamps used to mail out the fraudulent cheques are forged.⁴⁸

Investigators in Britain and Nigeria say another practical problem relates to the cheque clearing system. Banks reserve the right to honour cheques or not, even after the statutory clearing period has passed: in other words, if a bank finds that a cheque is fraudulent three weeks after it is cashed, it can revoke it. So, even if a customer is cautious and waits until the cheque has cleared before shipping the goods, he still finds himself liable if the cheque is later revoked. One police officer says banks do not make this clear enough.

Bankers confirm that it is at banks' discretion whether to absorb this kind of fraud loss or penalize the customer. In theory, says APACS, a finance industry body, a funds transfer by cheque is never guaranteed and could be revoked by the recipient bank weeks or even months later. It is quite legitimate for a bank to do this, particularly as there may be suspicions that the person presenting the cheque was involved in the fraud.⁴⁹

C. Other mail frauds

The volume of fraudulent activity in mail sent to Nigeria is also considerable. One courier company says as many as 50 per cent of the inbound packages, mostly from the US but often routed through London, are suspected of containing goods obtained using fraudulent cheques or credit cards. Again, it seems, Britain is a staging post for financial crime committed outside its borders.

One courier company in Lagos has a policy of holding back suspicious goods for further investigation. The recipients are then questioned on the phone or asked to come to the offices to show their bona fides. Some fraudsters, realizing they are under suspicion, never turn up to collect their packages. If they remain unclaimed, the company gives them away to charity or destroys them. The range of goods involved in transactions identified as fraudulent is vast: examples include school books, medical gloves, cotton wool, a small X-ray machine, golf clubs, an astronomical telescope and multimedia projectors. On the warehouse floor one day in October 2005, the goods held back included a Philips flatscreen TV and a DVD home theatre system.

D. Credit card frauds

Another area of concern for the British authorities is Nigeria-related fraud involving forged, stolen or cloned credit cards. The Dedicated Cheque and Plastic Crime Unit says networks of West African criminals in London – most of them linked to Nigeria – take money by posing as credit card users. Again, many of the victims are in the US, where it seems to be easier for fraudsters to get hold of people's credit records and even to phone up banks posing as the real customers. In this way, fraudsters can skilfully coax out personal information to help assemble a profile of the person they are going to impersonate.

All this means that, even if retailers become suspicious and phone banks to verify transactions, the fraudulent card user sometimes has the data needed to pass the banks' security checks. One police officer says he recently dealt with a number of merchants stung out of £8,000 Cartier

watches by fraudsters, who were buying two or three timepieces a day on stolen or cloned cards. In 2005, the fraud à la mode was to buy high-value vehicles worth between £10,000 and £30,000.⁵⁰

By making purchases in Britain on US credit cards, the fraudsters maximize the disconnections in time zone and space between the bank and the retailer where they use the card. One police officer tells the story of arresting a man for an alleged fraud using a US credit card in Britain. The man, who was released on bail, next turned up in New York. There, he was arrested by US police for attempting a credit card fraud on a UK victim.

Many Nigerian fraudsters avoid attention because they are careful not to be too greedy in any single transaction. Credit card numbers are stolen by Nigerian diaspora members working in service industries in Britain and passed back to Nigeria, where they are used in frauds of less than \$1,000, says a Nigerian investigator. The insurance industry in Britain absorbs these without paying them too much attention, because the individual amounts involved are small.⁵¹

Even if fraudsters are arrested, they tend to escape significant punishments, says a British police officer. If they are charged, they are often granted bail and tend to abscond fairly frequently: only those who are accused of crimes involving £50,000 or more tend to be remanded. Some of those who are bailed but do not flee have families in Britain and may even be British passport holders. For them, the officer reckons, a shortish prison sentence is an 'occupational hazard', worth risking for the large proceeds of fraud they will be able to enjoy once they get out. A significant proportion of the houses the police have raided in connection with Nigeria-related frauds are new luxury flats in regenerated areas of London such as Silvertown and Royal Docks. Other fraud epicentres include Thamesmead, Greenwich and Peckham.

Another problem with trying to disrupt Nigerian fraud networks is that they are not hierarchical crime gangs, with 'a big guy at the top and his lieutenants below him', as the officer describes it. They are organized more like the 'spokes on a wheel', in a circular arrangement of loose relationships in which the people all know each other. An individual network is likely to number dozens or even hundreds, doing 'bits and pieces' for each other. 'That's why it's difficult to make a serious impact on a network,' the officer says. 'You can't take out a focal point that would mean it would collapse.'⁵²

The networks are also resilient because of the ease with which they are able to re-form when disrupted. Police say this reflects both the fraudsters' adaptability and the porousness of Britain's borders. Nigerian passport-holders who are deported over their role in scams often pop up again in Britain, involved in the same sorts of crimes as before. One police officer says it took him a little while to understand why alleged fraudsters were so happy about being deported from Britain, as long as the fraud charges against them were dropped. When he came across them committing the same crimes a little while later, 'it didn't take me long to realize why,' he reflects.⁵³

E. Immigration and identity paper frauds

Last year, two apparently unconnected events highlighted the large problem of fraud that surrounds documents and other identity papers used by Nigerians to travel to Britain and operate there. In July, Nigeria's Economic and Financial Crimes Commission raided the Lagos district of Oluwole and arrested more than 100 people for selling false passports and various other forged documents, including British Airways tickets to London. Three months earlier, the British High Commission had announced a one-year moratorium on first-time visitor visa applications by Nigerians aged 18 to 30.

For many Nigerians, the incidents show the pernicious combined impact of a flourishing counterfeiting market and a visa-issuing service that is still struggling to cope with demand after years of complaints by legitimate Nigerian travellers. It is commonly acknowledged that forged identity documents, such as driving licences, passports, visas and residence permits, are routinely bought by many Nigerians and expatriates. Between September 2005 and January 2006, the British mission in Lagos identified 500 false passports among the tens of thousands of visa applications it received.⁵⁴

In Britain, these and other forged documents can be used as identification in frauds such as illegitimately opening bank accounts. British bankers say the quality of forged African passports, principally Nigerian and South African, has been steadily improving. One courier company executive says fraudulent passports and visas are being sent through the mail to Britain 'the whole time, more or less'.

As in many other areas of Nigeria-related financial crime, some of these scams are run not from the shadows but by influential and high-profile people. An acquaintance of the author made an unsuccessful attempt to set up a meeting with two contacts who were involved in false travel document scams but said that the men were afraid of the reputational consequences of talking because one was a pastor and the other a senior naval officer.

At a meeting arranged by another contact, a former forger known as Tunde described how he fraudulently obtained British visas for Nigerian passport holders. He would prepare all the needed documents, including a tax clearance certificate, bank account details and false references from 'business associates'. He would also alter expired visas to make them current. For the whole process, he might charge about £400, a considerable portion of which he had to use to bribe officials to give him the papers he needed. The British authorities say that, anecdotally, prices charged by touts to fraudulently obtain a visa run from £100 to many thousands of pounds.⁵⁵

Asked if there are any other areas of Lagos other than Oluwole in which counterfeiting flourishes, Tunde immediately reels off the names of seven further, populous districts: Somolu, Ikeja, Surulere, Mushin, Ebute-Metta, Ketu and Ijora. His manner suggests the list is far from exhaustive.

Tunde is one of many people who links the rise of the counterfeiting culture with the difficulties of obtaining visas legitimately. (See Box 2.) The British High Commission in Nigeria has long been criticized by Nigerians for the length of time it takes to issue visas and the amount of money it charges. Every applicant has to pay a non-refundable fee of £50, whether the application is successful or not. If the legitimate system is so cumbersome, expensive and prohibitive, it is argued, then people are more likely to try to obtain visas by illegitimate means.

The British authorities acknowledge they have experienced a number of significant problems with the administration of the visa system in Nigeria. The level of fraud in Nigerian visa applications is comparable with its near neighbour Ghana, but much higher than in some other large, poor countries, such as India.⁵⁶ The Home Office says Nigerians are the nationality most frequently detected at UK ports of entry with fraudulent travel documents.⁵⁷

In the last few years, the British visa issue system in Nigeria has gone through a turbulent period of reform.⁵⁸ In 2003–4, faced with large daily queues at the British High Commission and Nigerian complaints about slow visa-processing times, Britain asked people to book their appointments by telephone instead. Ever resourceful, Nigerian fraudsters hijacked the phone lines and tried to charge applicants huge sums of money to arrange visa interviews. The

BOX 2: A QUINTESSENTIAL SCAM

The front cover of a flyer published by Campbell Recruitment Solutions Agency, a Lagos-based company, shows a picture a Roman amphitheatre alongside the headline 'Nursing opportunity in UK (London)'.

According to the Economic and Financial Crimes Commission, the unusual advertisement is part of an advance fee sting that caught out Nigerian medical professionals who wanted to find work in Britain.

The con shows how Nigerian fraudsters have proved ever nimble in taking advantage of the huge latent desire of many Nigerians to come to London in search of a better life.

The Campbell flyer claims the company 'specialises in the recruitment of nurses into permanent positions within the United Kingdom', in hospitals, clinics, nursing homes and other healthcare institutions. The company says it can arrange clients' nursing and midwifery registration, national insurance numbers, pension plans and life insurance.

The company further promises to arrange a work permit, visa and other documents, as part of a comprehensive package to help the candidate relocate to London. 'Live in the most exciting city in the world, earn pounds and travel round the world,' the advertisement reads. 'Campbell Recruitment Solutions will make it happen.'

The literature lists five Nigerian first names and mobile phone number contacts, along with three addresses: one in Lagos, one in the western Nigerian state of Osun and one in Old Street, east London. It also gives two web addresses, one of which, www.tulohinternational.com, is still active.

The website shows how Nigerian fraudsters often run a portfolio of scams, spanning many different areas. Tuloh claims to offer its customers the 'very best services in the industry today', including the supply of quality discounted air tickets, foreign exchange and money transfer services.

The company claims to have a subsidiary, Tuloh International Asset Management Services, that is a registered investment advisory firm. It also offers website users the chance to become agents in the company's money transmission network. It claims this network comprises 'a variety of businesses from many industries', including well-known banks, retail chains, travel agents and foreign exchanges services. Clients are invited to tell Tuloh which companies they presently use to perform their money transfers.

The language is vague and often poorly expressed, but no more so than are the websites of many genuine, jargon-riddled British companies. Tuloh claims to derive great satisfaction from serving 'large numbers of satisfied clients who have experienced the joy and inspiration'.

For those reading sceptically, the website contains a number of immediately suspicious entries. The 'contact us' section has a headshot photograph of an attractive young woman, but no names of any staff members. Tuloh claims to have an office on Buckingham Palace Road, Belgravia, although Belgravia is misspelt and the post code is not consistent with the London system. The fax number has the '0207' inner London code, even though the telephone has the '0208' outer London code.

Even more jarringly, the money transfer and foreign exchange sections of the sites offer nonsensical rates, such as \$5.46 to the pound and £2.46 to the dollar. Nor have the fraudsters made any attempt to make the exchange rates for the Nigerian naira realistic: they quote 5.67 naira to the pound when the rate is more like 250.

Neither Tuloh's telephone number nor the e-mail address was working. But the website is still up and accessible. Customers who are still determined to push on are offered the chance to change their money online: it is a quick, easy way to become the latest recipient of Tuloh's joy and inspiration.

Nigerian press carried articles alleging collusion by High Commission staff in the corruption, but London says an internal investigation uncovered no evidence of this.

After the problems became clear, Britain changed the system again the following year. The telephone booking system was scrapped and people were asked to apply by a special courier mail service instead. Immediately, the number of applicants rocketed from 123,000 in 2003–4 to 231,000 in 2004–5. The British High Commission in Nigeria 'simply couldn't cope', says one British visa official.

In response, Britain tried a third, emergency, strategy: barring, for one year, applications for first-time visitors' visas from people aged between 18 and 30. According to British officials, this group accounted for more than a quarter of all applications received in 2004. People in this category were also seen by the British as those most likely to abuse the system: 80 per cent of their applications were rejected.

The temporary clampdown reduced the number of applicants, although not by much: 210,000 people still applied in 2005–6. Britain says it expects the system to cope much better with high demand from now on, as it has expanded its offices and has taken on more staff. In March, it started a commercial partnership with VFS, which is part of Switzerland's Kuoni Travel Group. VFS will run centres that will take fees from visa applicants and arrange appointments for them.

Britain says it is also controlling its visa issuing much more tightly. The refusal rate for Nigerian visa applicants has gone up from 30 per cent a few years ago to 56 per cent now. It is as high as three-quarters for students and first-time visitors. In India, by contrast, the overall refusal rate is about 25 per cent.

Britain says part of the reason for the rise in refusals is that its teams devoted to identifying fraud risks are bigger, more organized and better at identifying problem areas. Work they have done suggests fraud is substantial and is particularly focused on forgeries of educational certificates and financial documents such as tax returns and bank statements. A recent analysis of 38,000 visitor visa applications found that 5,000 involved some kind of fraudulent documents or deception, including 2,000 cases in which bogus financial documentation was used. About one-sixth of a sample of 6,500 student visa applications used some kind of fraudulent documentation.

In response, the risk assessment teams have started doing greater cross-checking of documents with the institutions that have supposedly issued them, such as universities and banks. Britain is also piloting a project in Ghana to refer cases of fraudulent visa applications to the Ghanaian authorities for them to investigate and prosecute. Britain says this initiative has helped cut down fraud 'quite significantly' and could be started up in other countries, including Nigeria, if it continues to be successful. Britain is also providing training to the Nigerian authorities in fraud detection, although an official says this is in its 'early days'.

UK Visas says it is working with several other British authorities in an attempt to tighten up the Nigerian system further. Much information is already exchanged between British border controls and the diplomatic mission in Nigeria. UK Visas has held a preliminary meeting with Britain's new Serious Organised Crime Agency (Soca) to talk about the possibility of working with the agency's overseas liaison network. A British five-year plan for immigration and asylum will look at whether it is possible to accredit overseas visa advisers to try to cut out the touts and agents in Nigeria and elsewhere who offer help to applicants but then defraud them of money.

Another – controversial – measure the British authorities are taking is to start collecting biometric data from visa applicants. Biometric information refers to specific and uniquely identifiable human physical characteristics, such as the iris, retina and acoustic spectrum of the voice. This is due to start in Nigeria in 2007.

The Nigerian authorities claim that they, too, are working to curb immigration fraud. Joseph Chukwurah Udeh, immigration comptroller-general, says a 'massive computerization' is under way to make the passport system more transparent and accountable. Innovations will include

electronic passports that could carry biometrics of holders, including artists' impressions, photos and fingerprints. A new website will carry lists of stolen and cancelled passports, and addresses and telephone numbers of passport offices for people to call if they are suspicious about documents presented to them. As of 5 April 2006, the website carried a modest list of 68 cancelled passports. It contained lists of phone numbers of regional passport offices, but no mobile phone numbers, which are by far the most effective and efficient way of making contact with people in Nigeria.⁵⁹

Mr Udeh says his department has good contacts with the British immigration authorities, although he has no figures on how many Nigerians have been arrested in London or deported from Britain over immigration offences. In 2006 year he attended an inaugural bilateral meeting in London on judicial cooperation, law enforcement, immigration and organized crime. The British Foreign Office says a second meeting is planned later in 2006, to build on agreements already signed between the two countries on human trafficking and police cooperation.⁶⁰

The British Home Office says that officials from its national document fraud unit trained Nigerian law enforcement agents in 2006 in the use of 'highly sophisticated detection equipment' that has been installed at Nigerian airports, ports and border crossings. The authorities have already achieved 'considerable operational success' in detecting fraud.⁶¹

Whatever the seriousness of Nigeria's immigration reforms, many professional Nigerians or expatriates say fraud is still commonplace. They, as wealthy people in a hurry, are often complicit in the corruption. One British expatriate described bitterly how a Nigerian visa and resident permit for his wife had still not been issued after ten months of waiting, because he had followed the process honestly. 'If I had paid \$500 to somebody, I could have had it done after the first week,' he said. 'Since this started happening, every expatriate person I have ever met has said: "You should have come to us – we have got this little man who will take \$400, \$500, \$600."'

Nor has the roaring trade in fake passports and visa application documentation stopped. Late in 2005, Oluwole was clearly still in business, despite the raid by the Nigerian authorities. A young man known as Segun showed the author some stolen Nigerian passports he planned to sell. Business in Oluwole had fallen since the police operations, he said, but he added that scores of people were still turning out forgeries. Many Nigerians heading for Britain continued to benefit from Oluwole's facsimiles: they gave people a chance to go to a country that is increasingly hard to enter by legitimate means. 'It's like a dog that wants to enter a lion's hunting,' he observed mischievously.

F. Official and corporate corruption

Another major type of Nigerian-related criminality associated with the British financial system is official and corporate corruption. The involvement of Nigerian officials in financial crime is the subject of much speculation in Nigeria and Britain and – increasingly – of publicized and documented cases. The British police have arrested two Nigerian state governors in London in separate cases in the past two years. Both absconded to Nigeria before they could face trial. There, one of them, Joshua Dariye, still governs his state of Plateau, while the other, Diepreye Alamieyeseigha, has been impeached by the Bayelsa state House of Assembly and is now on trial on corruption and money-laundering charges.

The Dariye case showed clearly the overlaps in Nigeria between 'ordinary', opportunistic, financial crime and political power. The governor only came to the attention of the British police because his name came up in documents collected during a low-level fraud inquiry in

BOX 3: THE CODE OF CONDUCT BUREAU

Nigeria's Code of Conduct Bureau for public officials is a theoretically powerful financial crime-fighting body that has in practice never successfully pursued anyone more senior than a university professor.

'Over the years, we have wished we would have been able to arraign before the tribunal more people than we have done,' says Ibrahim Adamu, the bureau's administration and finance director.

The bureau complains that it is held back by a lack of resources, inadequate laws and the failure of many public officials to cooperate. These shortcomings and others have undermined an institution that could potentially be a great help to both Nigerian and overseas authorities, as it is empowered to collect details of the Nigerian and foreign assets held by every public official.

The bureau's remit covers civil servants, political appointees, office holders – anyone who earns a stipend from public funds. The information is supposed to be updated by officials every four years. The possible penalties for corruption include fines, removal from office and confiscation of assets.

The bureau says it investigates cases either at random or in response to petitions alleging corruption against specific individuals. If there is a case to answer, the file is sent to the bureau's sister Code of Conduct Tribunal for prosecution.

In reality, what happens on the ground bears little resemblance to these stringent-sounding arrangements. Because Nigeria is so big, the bureau is unable even to send out declaration forms to every public officer. Many officers who do receive forms do not bother to fill them in and submit them.

The terms of reference for the declarations to the bureau are also too vague, Mr Adamu suggests. People have to disclose houses, vehicles and even trinkets, but no value threshold is given. Many people just answer 'not applicable' to the questions.

Even so, the bureau says it is still overwhelmed by the volume of work: in 2004 alone, it received 351,508 forms. It examines perhaps one in every 100. Of these, only a tiny percentage leads to investigations: Mr Adamu estimates only about 20 or 25 probes have been launched over the previous three years.

Mr Adamu says almost all these investigations have been in response to public petitions, many of which were motivated by malice. Sometimes people write out of frustration that they are not benefiting from the corrupt deal they are exposing. They later withdraw their petitions, or say they made the allegations up: this usually indicates they have been paid off by the person they are accusing.

Of the tribunal's few successful prosecutions, most have resulted only in small fines for minor transgressions such as failing to declare an asset. In Mr Adamu's ten years at the bureau, the most senior person convicted was an academic. Even this was not really a corruption case: he had broken rules barring officials from holding two public offices simultaneously.

One of the bureau's problems is the impunity enjoyed by the powerful simply by virtue of their positions. High-profile officials have been arraigned but never successfully prosecuted. The tribunal refused to prosecute several past and present state governors, because it said the constitution gave them immunity. In April 2006, the tribunal ruled that it had powers to try Diepreye Alamieyeseigha, the Bayelsa state governor arrested in Britain over alleged money-laundering.^a

The bureau and tribunal are full of political appointees who can enjoy a long stay if they maintain good relations with those in power. The members of both bodies are nominated by the president and confirmed by the National Assembly. Mr Adamu says some board members have been in position for ten or fifteen years.

The bureau faces further difficulties because of the lack of reporting of financial transactions in Nigeria. People who are being investigated will say that property they own was inherited, even though the bureau strongly suspects they had bought it. Frequently, the lack of documents means there is no way of proving the case either way.

Similarly, the bureau cannot enforce rules prohibiting public officials from running outside business interests. Breaches are rampant, Mr Adamu says, but the bureau has not taken any cases based on the rules to the tribunal. The absence of records means it is very hard to prove linkages between officials and the businesses they are said to own.

Perhaps the biggest criticism made of the bureau by outsiders concerns its refusal to allow public access to its records. Mr Adamu says the bureau can only disclose information under publication conditions that have to be enacted by the National Assembly. The assembly has never put these in place.

Mr Adamu says the bureau finds the political atmosphere in which it operates 'more liberal' than under the military, giving it more confidence about pursuing cases. But it remains a secretive body whose record of prosecutions under civilian rule is not noticeably better than under dictatorship.

Asked if he is disappointed about the bureau's performance, Mr Adamu replies simply: 'Yes. To tell you the truth, I am.'

^a E-mail from Code of Conduct Bureau, 27 April 2006.

London's East End. On further investigation, the police discovered that Dariye owned significant property in London and had processed millions of dollars through eight separate British bank accounts.⁶² The Bayelsa governor was charged with money-laundering in Britain in 2005 after almost £1 million in cash was discovered at one of his London properties.

Both British and Nigerian officials have indicated that a number of other prominent Nigerian officials are under scrutiny over alleged involvement in financial crime. Both countries say the activity is evidence of sincere attempts by the civilian government to punish senior officials for corruption. The cases are also said to represent landmarks in the harsher international attitudes towards money-laundering, and in the increasing cooperation between the Nigerian and British authorities.

One senior Nigerian law enforcement official says the majority of the 'colossal' amount of money that moves from Nigeria to Britain is government-related. He estimates that between 80 and 90 per cent of the country's state governors own property in Britain, with many also having bank accounts in their own, their wives' or their children's names. In short, the 'greater amount' of official funds going to Britain is 'corrupt money being laundered'.

But the action against politicians, although widely welcomed, also has a more subtle, inverted significance, many Nigerians say. Each case that is exposed reveals the large magnitude, scale and scope of official corruption, raising questions about how many other people are not being pursued. Equally, the investigations highlight how Britain, for all its rhetoric about fighting corruption, is still used by officials to store stolen money.

Many Nigerians says that one of the dark truisms of civilian rule is the way it has increased some important opportunities for official corruption. As centralized military control has eased, so officials at a state and local level, who receive almost half the country's oil revenues directly, have more power to run unaccountable fiefdoms. In the oil-producing Niger Delta states such as Bayelsa, which receive an enhanced share of government revenues, governors have pretty well unrestricted control over \$50 million a month or more. The high oil price has exacerbated all these effects.⁶³

There have been limited attempts by the federal government to make its finances more open, but in other, crucial, respects the culture of impunity for the powerful has not changed. (See Box 3.) The most senior officials, including the president, the vice-president and state governors, enjoy immunity from prosecution under the constitution hastily drafted by the military before the return of civilian rule in 1999. The clause has often been criticized but never scrapped, even though the president's People's Democratic Party has had substantial majorities in both houses of parliament for almost seven years.

Some Nigerians argue that their country has long had many of the characteristics of a criminal state, in which officials are not only involved in fraud but help to coordinate it. They see this culture as having developed most actively under the 1985–93 dictatorship of Ibrahim Babangida,

a period that many Nigerians say marked great growth in Nigerians' involvement in advanced fee frauds and the drugs trade. The line continues through civilian rule politicians such as the late Maurice Ibekwe, a former member of the House of Representatives, who was arrested on fraud charges in 2003 but died in jail.⁶⁴

One of the most important, but least explored, areas of alleged official involvement in international financial crime concerns the theft of crude oil from the Niger Delta's pipelines and well-heads. According to fairly conservative industry estimates, more than 50,000 barrels, with an international market value of more than £3 million, are stolen every day. In 2005, two navy rear-admirals were expelled from the force after being found guilty at a court martial of involvement in the 2003 disappearance of an impounded tanker carrying stolen crude oil. A senior military officer, when asked if oil theft was done by local people, expatriates, military officers or government officials, replied simply: 'All'.

Profile and Structures of Criminal Groups

Profiling the people who are involved in fraud in Nigeria and why they are doing it is not straightforward. Part of the problem is that, as the UN report on West African organized crime points out, criminal networks in Nigeria tend to be much more loosely organized than their counterparts elsewhere. Fraudsters will tend to be diverse in their activities, opportunistic in what they do and protean in their alliances: all these trends make it hard to draw general conclusions about criminal gangs in Nigeria, if indeed they can be called gangs at all.

A second problem is the extent to which criminal activities merge with those of the formal economy. Many people in authority, such as the police force, are among those who are most notorious for corruption. In Lagos, for example, motorcycle taxi drivers say they routinely bribe police officers not to arrest them for offences such as driving without insurance. It is one of many situations in Nigeria in which the spectrum of behaviour covering law enforcement officials, ordinary workers and criminals is seen by many people as narrow indeed.

Many aspects of the Nigerian state have little or no popular legitimacy and are arguably already criminalized. Frauds such as tax evasion are the rule rather than the exception, in part because people argue that they receive nothing in return for paying their dues. The executive of one respected company in the banking industry has described how he and his fellow managers have debated whether to pay corporate taxes at all. People who work within the rules are often seen as unusual, exceptional and – if they turn down the chance to make a bit of easy money – rather foolish. (See Box 4.)

BOX 4: EMMANUEL NWUDE

On the wall of the imposing Anglican church in Abagana, eastern Nigeria, a plaque celebrates its main funder. A huge building in a small community, it was chiefly financed by a local man, Emmanuel Nwude, holder of the traditional title of Owelle of Abagana.

A visitor does not have to walk far in Abagana to find other evidence of Mr Nwude's philanthropy. Villagers say he has tarmacked roads and set up educational scholarships. One local man shows a large water tower paid for by Mr Nwude, a former director of both the construction company G. Cappa and Union Bank, one of the country's largest financial institutions. The building of the water tower means local people do not have to spend hours going down to the local streams: it is one of many reasons, the man says, why Mr Nwude is 'a big son to all of us'.

Mr Nwude himself is not around for an interview. He is in prison for a fraud that has been described as the biggest 419 in Nigeria's history. In November 2005, he was convicted for playing a leading role in swindling a corrupt Brazilian bank official out of more than \$200 million of his employer's money.^a The official, Nelson Sakaguchi, had been promised kickbacks on a project to build an airport in Abuja, the capital; he was either unaware that Abuja already had an airport, or he let his greed blind him to this curious and rather significant detail.

The contrast between Mr Nwude's jailbird status and his reputation in Abagana is an extreme example of how fraudsters buy respectability and even adoration if they channel some of their money back to their impoverished home towns. It is a situation that both encourages fraud and hampers investigation of it. In a desperate country of few legitimate jobs, where many people eke out a living through hustling of one type or another, people like Mr Nwude are the chancers made good. They are the subjects of a pragmatic kind of admiration, which recognizes what they have gained while remaining agnostic on how they have obtained it. As one Nigerian expert has put it, 'the wealth is cherished but not the organized criminal activity'.^b

Mr Nwude's case also highlights the heavy involvement in financial crime of Igbo people from the country's east. This is a highly controversial subject, with people from different parts of the nation disputing both the extent of eastern complicity and the reasons for it. Many Nigerians would agree that it is linked to the social turmoil of a region where a large number of people saw themselves as the victims of genocide during the 1967–70 civil war and have complained bitterly of social and economic marginalization both before and since.

'The Igbo are well represented [in financial crime],' says C. Don Adinuba, an Igbo businessman. 'Why is it so? When you shut a people out of government, and government patronage, where government is the dispenser of wealth, what do you expect them to do?'

Others point to more mundane and generic reasons for the preponderance of fraud in the east. A banker from the Niger Delta says policing is particularly poor in the region, as it is in Lagos and Delta state, which are also rich sources of financial crime. In cities such as Aba and Onitsha, the east has the kind of entrepreneurial commercial centres around which this type of crime will tend to be found. In the north of the country, by contrast, there is a much smaller private sector.

A senior EFCC official echoes and amplifies the point, arguing that each region of the country 'specializes' in a type of crime linked to its business and social life. In the east, with its culture of trading and its history of migration to other parts of Nigeria and beyond, crimes often have an international and inventively pioneering aspect. In the north, whose leaders have controlled Nigeria for much of its life since independence, frauds tend to involve government corruption. In Yorubaland in the west, scams are often linked directly to the accounting, banking and legal professions, which traditionally attract many Yoruba.

A significant proportion of Nigerians and people of Nigerian origin who are living in Britain are Yoruba or of Yoruba descent. A local education authority survey of more than 850,000 schoolchildren in London in 1998–9 ranked Yoruba eighth of the languages other than English spoken by pupils: 10,400 spoke it, compared with just 1,900 who spoke Igbo.^c

A detailed account of Yoruba people and other members of the Nigerian diaspora in Britain is beyond the scope of this work, although it has been studied by a number of Nigerian academics and others.^d Peckham in south London, for example, has been described as a 'Yoruba heartland' that 'looks very like Lagos'. Many of the shops are Yoruba-owned and Nigerian churches and mosques are plentiful (in Nigeria, many Yoruba are Muslim and many others Christian).^e People of Yoruba descent are very active in Britain as lawyers and bankers. Some Yoruba are active in cultural organizations.

Back in Nigeria, the EFCC official, who is not an Igbo, echoes the dismay of many easterners that successful fraudsters tend to become local heroes rather than pariahs. This has caused the EFCC problems, he says: the first people it arrested in a high-profile crackdown on fraud were very prominent in their communities; some people who were benefiting from their largess frowned on the official action. 'They said we were taking the bread away from them,' he says. 'They said the victims are greedy.'

Fraud destroys the very fabric of Nigerian societies, he says. The youngsters do not want to go to school. They want to ape the wealthy man with the title, respect and expensive clothes. 'They want to be like him: "Chairman", they call him,' he says. 'The younger ones don't want to farm: they want to come to Lagos and work on computers.'

Perhaps not surprisingly, some other non-Igbos take a harsher line, portraying the frauds as the darker side of the tough acquisitiveness that they see as a defining part of the east's mercantile culture. One Lagos financier ridicules the young Igbo men who, he says, tour the city's bars and clubs bragging of their success in internet fraud: 'They are boastful. They say: "What do you do? I Yahoo!"'

One Igbo banker places the eastern links with financial crime in the much broader context of the exemplary habit of Nigerian leaders of practising corruption with impunity. Past leaders, who are mostly from the north, live like emperors, yet few, if any, have legitimate explanations for the sources of their wealth. It was a way of life promulgated and refined to a new level by the 1985–93 dictatorship of Ibrahim Babangida, who is still talked about as a potential candidate in the 2007 presidential elections. 'You stole from government; I stole from you,' says the banker, summarizing what he sees as the 419ers' outlook. 'So you continue the culture of 419.'

Most of all, many Nigerians speak regretfully of a corruption in the values system that has allowed fraud to flourish as a way of life. This was perhaps inevitable in a country thrown into uncomfortable coexistence by a 1914 British colonial fiat, uniting peoples who had hitherto led largely or entirely separate lives. Nigerians who would traditionally have been excoriated for stealing from the village, causing the community a tangible loss, were positively encouraged to take from the central government, where the money was not seen as belonging to anyone with whom the community felt empathy.

The same logic applies to stings against people overseas. Both the criminals and their communities may feel, with a certain amount of justification, that many Westerners can afford to lose a few thousand dollars. For some – although by no means all – in the rich world, such a mishap is an annoyance rather than a matter of survival.

Another contributing factor to fraud is that Nigerians arriving in Britain suddenly have access to benefits not available at home. Even though British governments have been putting in place tougher conditions for paying housing and unemployment benefits, there are still plenty of opportunities for defrauding the system. For some people used to receiving abuse rather than benefits from the authorities in their own country, the opportunity is too good to miss. 'They are not used to being treated decently,' says one banker. 'You now have people who have found an open system and exploit it. They have none of the usual communal system that tells them: "This is for all of us."'

Mr Adinuba, the Igbo businessman, says most Igbo youths are unemployed and realize they will always be prevented from reaching real positions of power. They conclude that they have to find alternative methods of making money. The Nigerian economy has two defining features: government is the main earner and distributor of revenues, and everything is short-term. The idea of a young person securing credit to do training or start a business is almost alien in a financial system in which interest rates generally top 15 per cent.

'It's a now-now economy,' Mr Adinuba says. 'The social environment is a key factor that drives this corruption.'

^a See news.bbc.co.uk/1/hi/world/africa/4451766.stm.

^b Etannibe E. O. Alemika, cited in 'Transnational Organized Crime in the West African Region,' UN Office on Drugs and Crime, 2005. See www.unodc.org/pdf/transnational_crime_west-africa-05.pdf.

^c www.cilt.org.uk/faqs/langspoken.htm.

^d See, for example, Dr Abiola Ogunsola at the University of East London (www.uel.ac.uk/education/research/centres.htm) and Abiodun Adeniyi at the University of Leeds (ics.leeds.ac.uk/staff/details.cfm?id=51).

^e www.utexas.edu/conferences/africa/ads/317.html.

How Government Agencies and the Private Sector Tackle Financial Crime: UK

The Nigeria-related frauds targeted at British consumers are in some ways close to the perfect type of crime. The high levels of corruption, collapsed institutions and general social disorder in Nigeria make it a good place for criminals to operate without too much danger of harassment by law enforcement authorities, regulators or the legitimate private sector. In Britain, unwelcome attention can similarly be avoided because individual frauds tend to be too small to interest the banks or investigating authorities. London, with its large number of Nigerians and historical connections with Nigeria, is an easy place to gather accomplices and helpers, many of whom will have family or ethnic affinities and can be trusted not to turn informer. Overall, the potential rewards are large and the risk of capture and heavy punishment small.

The fraudsters are also helped by a perhaps understandable reluctance by British officials to talk explicitly about the degree of Nigerian involvement in financial crime. The fear is that it will be politically harmful or perceived as offensive. The Financial Services Authority speculates that too much open discussion might cause 'diplomacy problems' between Britain and Nigeria. One senior British investigator says there is a 'not unreasonable reluctance' to 'label Nigerians as fraudsters', because this is 'perceived as vaguely racist'.⁶⁵

One law enforcement officer says the National Criminal Intelligence Service shut down its West Africa desk partly because of these concerns. The Serious Organised Crime Agency, which now incorporates NCIS, refused to confirm or deny this. Soca also declined to say whether it had its own West Africa desk: it said it could not be specific about the countries it was working on, for 'operational reasons'.⁶⁶

Nigerian criminals appear also to be helped by wider, systemic problems with the way the British authorities deal with financial crime. An ongoing British government report on fraud has said that detection and investigation are hampered by poor intelligence, a lack of police resources and the spread of responsibilities for tackling financial crime between too many different official agencies.

Some branches of government that are said to suffer from Nigeria-related fraud either do not gather intelligence on it or refuse to publish it. One example is the Department for Work and Pensions, despite anecdotal evidence of quite large past frauds involving the benefits system and networks of Nigerians.⁶⁷ A senior Serious Fraud Office official says that unless there is much greater intelligence-sharing between various authorities, it will be impossible to make links between different types of frauds that are being perpetrated by the same people or linked groups.⁶⁸

It all seems to echo the conclusion of the government report that 'fraud is thought to be an easy crime to commit and get away with'.⁶⁹ For Nigerian criminals, that, perhaps more than anything else, seems to be both the *sine qua non* and the secret of their success.

Many people who come into contact with Nigeria-related frauds speculate that they are linked with drugs and other serious organized crimes, but there seems to be little quality intelligence to support this. There is general agreement that Nigeria is the source of both big fraud problems and big problems with drugs, acting as an alternative transit point for heroin and cocaine as other international routes have been squeezed off by law enforcement authorities.

Even law enforcement agents who are familiar with Nigerian crime have widely diverging views on this question. One officer asks why Nigerian fraudsters would become involved in the drugs trade or other serious offences, when they know they could make a lot of money from scams at a much lower risk of receiving a long prison sentence. But another officer believes Nigerian fraudsters are adaptable and ambitious enough to become involved in anything, as long as it was profitable. 'Organized crime is organized crime,' he says. 'If there was suddenly money to be made out of smuggling al-Qaeda operatives, they would do it.'

There has been speculation that Nigerians involved in the heroin trade could come into contact with militant Muslim groups in Afghanistan and elsewhere. But although Nigeria has strong strands of Islamic fundamentalism – as well as Christian fundamentalism – these have tended to be focused on internal religious and political power struggles. Groups such as the 'Nigerian Taliban' that briefly rose to international prominence in early 2004 are seen as unusual in their conscious linking of their activities to Muslim radicalism elsewhere in the world. All this has made Western intelligence officials reluctant to link Nigerian Islam with Islamic terrorism, even if they feel there are enough glimpses of potential problems to justify continued caution on the question. 'There are anecdotal things,' says one officer at Britain's Soca, 'but no intelligence or hard evidence to prove anything.'

A. The private sector

Like the police, the banking industry has little more than anecdotal data on the prevalence of Nigeria-related cheque and credit card frauds. According to APACS, an industry body for leading banks and other institutions that handle payments, total plastic card fraud fell by more than 10 per cent last year to £439.4 million, although that figure was still higher than the £420.4 million registered in 2003. Cheque fraud rose sharply from £36 million in 2002 to £46.2 million in 2004, but fell back to £40.3 million in 2005. APACS says it does not have any data on what percentage of either of these frauds is Nigeria-related.⁷⁰

Regulators and police say the extent of the small-scale fraud, such as that carried out by Nigerian gangs, is probably higher than banks report. Police complain banks have a deliberate policy of disguising fraud as bad debt in, for example, cases in which a fraudster opens an account using a false passport, operates it for a while to obtain an overdraft and then disappears. Banks are reluctant to share fraud information with law enforcement officers and the public – perhaps reflecting a desire not to damage people's confidence in the financial system. Banks also know that giving the police the information they want will consume considerable amounts of staff time.⁷¹

Both bankers and the Financial Services Authority admit banks do classify fraud as bad debt, but argue that they do so unwittingly. Because the kinds of frauds perpetrated by Nigerian gangs are individually small, the banks never bother to investigate them. In other words, the bank has no way of telling whether they are the proceeds of crime, or, for example, an unpaid overdraft.

Bankers also object strongly to the implication that they are uncooperative with law enforcement authorities. They accuse police of coming on speculative 'fishing expeditions', asking banks to break customer confidentiality and expend resources on research without any specific crime in mind. The banks' refusal to accept many police requests is not 'a downside, as the police portray it,' says one banker. 'It's a strength of the system: "Don't come to me unless you know what you are looking for."'

Bankers say the police do not take much interest in fraud even when it is reported to them. It is not something that wins them kudos from the Home Office, so they do not think it is worth their while to bother. 'Simply put,' says one banker, 'the police will not take any interest in cases of fraud even if a bank puts in a package of evidence and says: "here you are".'

Just as some police say they need more sharing of fraud data by the banks, so the banks say they need more information from the authorities. At the moment, too much of the responsibility for intelligence-gathering falls on the institutions themselves. For example, claims one banker, the banks are the only source of information the FSA has for trying to spot trends in scams.

One banker admits his institution's reporting of standard advance fee e-mail frauds to the authorities is not routine but argues there is no point in acting otherwise. There is little law enforcement agencies can constructively do about it. His bank deals in-house with the fake letters or websites that masquerade as official bank documents and try to persuade customers to part with account information and PINs. The bank has a standard set of lawyers' letters it sends out to internet service providers to get them to block fraudulent sites and e-mail addresses they are hosting. If the bank did not do this, the banker argues, a defrauded customer could conceivably claim for damages on the grounds that the bank knew about the problem but did nothing about it: it is another potential, hidden, cost of Nigeria-related crime.

The Financial Services Authority says there have been problems with information-sharing, although these have tended to be between banks themselves rather than between banks and police. Criminals were committing the same types of fraud at a number of banks, none of which knew their competitors had suffered similarly. In the last 18 months to two years, after some cajoling by the FSA, there has been 'significant growth' in information-sharing by financial institutions through their trade associations. If these small frauds are funding organized crime, the FSA adds, then even more attention should be paid to them.⁷²

This is an area in which the FSA says it intends to continue exerting pressure. In a keynote speech in December 2005, Philip Robinson, the FSA's head of financial crime said he foresaw that the financial services industry would become 'increasingly adept at deriving intelligence of its own' from material in the public domain, from interaction with law enforcement, and from linking up their fraud and anti-money-laundering operations. Banks needed to create an environment in which 'data sharing is the norm,' he said, 'and where reputational risk is not used as an excuse to keep details of frauds out of the public domain'.⁷³ Separately, Mr Robinson has said it may be worth banks' while to follow up on more small frauds, if there is any evidence that the money is being used to fund organized crime.⁷⁴ A Foreign Office official made the same point.

B. The anti-corruption and anti-money-laundering regime

The revelation that British banks were a leading transit point for money allegedly stolen by the late General Sani Abacha and his associates caused serious embarrassment to both the British financial sector and the government. (See Box 5.) According to a Financial Services Authority investigation, at least \$1.3 billion of Abacha-related money was transferred through 42 bank accounts in Britain. The FSA said 15 banks, through which 98 per cent of the money was channelled, had significant weaknesses in their money-laundering regimes. It declined to name the institutions, even though the Swiss authorities later named the banks they had sanctioned over their role in the Abacha case.⁷⁵ The FSA says it did not name the banks because, at the time, there was no legislation giving it the power to do so.⁷⁶

BOX 5: THE ABACHA CASE

The pursuit of the money looted by the late dictator General Sani Abacha and his associates has highlighted important failings in the way Britain and Nigeria deal with corruption and money-laundering.

The case reflects many of the problems hampering the development of an international approach to tackling money-laundering, such as differences between legal systems and governments' desires to avoid political embarrassment.

The Nigerian government began its pursuit of the stolen money shortly after the return of civilian rule in May 1999, almost a year after General Abacha's sudden death. President Olusegun Obasanjo's government hired a respected Swiss lawyer, Enrico Monfrini, to track the money and try to get back as much of it as possible.

Estimates of how much money General Abacha and his associates stole run as high as \$5 billion.^a Much of this was taken out of Nigeria to big financial centres such as Switzerland and Britain, as well as to tax havens in the Channel Islands and Caribbean. Many big banks from the US, Europe and elsewhere held accounts for Abacha associates.

It is widely accepted that London played a crucial role as a transshipment point for the stolen money. In 2001, Britain's Financial Services Authority estimated that at least \$1.3 billion of Abacha-related loot passed through British financial institutions.

Mr Monfrini applied to the Home Office for help in tracking the money. He wanted the British authorities to obtain crucial bank records of where the money had gone. For a long time, the case went back and forth, with the Home Office saying that Nigeria had not given sufficient information to allow the British courts to compel banks to disclose the details. Eventually, when the request was processed, the banks disclosed dozens of files of irrelevant information, Mr Monfrini's firm says. The crucial material – the dockets showing the destinations to which the money had been transferred – was missing.

Mr Monfrini has said he has given up trying to get Britain to do anything about this. Nigerian officials have contrasted London's approach with the much more cooperative attitude of Switzerland, which to date has returned about \$600 million of Abacha money. The Swiss authorities have also publicly censured a number of banks for their role in the affair.

One British Foreign Office official admits there is a 'sense of embarrassment' in London about the Abacha case, especially given the progress in Switzerland. Another Foreign Office official says the Home Office was 'too eager to throw requests back' to the Nigerians on the grounds that they were technically flawed, rather than advising on how they could be improved.

The problems have made it hard for London to argue for institutional change in Nigeria without seeming hypocritical, the first official says. 'We don't want a repeat of that,' he says. 'It has been reputationally damaging. It hurts you more down the line.'

British government officials claim that a large part of the problem at their end is a lack of resources rather than political unwillingness. Home Office officials and Metropolitan Police officers looking at international financial crime are devoting much of their effort to terrorist funding, particularly since the July 2005 bombings in London. A Home Office official who has worked on the Abacha case says the Nigerian authorities were often slow to reply to requests for further information or failed to supply what they had been asked to give.

In Nigeria, the government's loud and justified protests about the failure of London to help return more Abacha money contrast with a curious reluctance to talk about how exactly the money was stolen and by whom. Even officials supposedly in favour of greater transparency have been silent on this question.

Some Nigerians say the government is reluctant to disclose more because officials who are still senior in the administration and elsewhere in public life are involved. As one Nigerian lawyer puts it, summing up the sense of selectivity and half-heartedness that has characterized both London's and Abuja's approaches to the Abacha case: 'Much as the Nigerian government wanted the Abacha money back, they didn't want the full story to come out.'

^a www.royalafricansociety.org/reports_publications/reports_aappg/corruption_report.

Critics say Britain's performance on money-laundering and corruption is still laggardly, especially given that an estimated £25 billion pounds a year is laundered through the country.⁷⁷ The 2002 Proceeds of Crime Act, which is supposed to make it easier for Britain to offer legal assistance to countries seeking to recover stolen money, was only implemented in full at the end of 2005. This in turn meant the government could not ratify the 2003 UN convention against corruption until early 2006, missing the end-2005 target set earlier in the year by the international Commission for Africa set up by Tony Blair. The commission, which comprised nine Africans and eight others, was created in part to try to stop rich nations renegeing on deadlines and commitments they had made.⁷⁸

In 2003, the government scrapped an attempt to update anti-corruption laws, after heavy criticism that the bill contained significant loopholes. In December 2005, the Home Office published a new white paper on corruption.

Many commentators have compared Britain's push in 2005 for a fairer deal for African countries unfavourably with what they see as the government's inertia on reducing British complicity in the plunder of resource-rich nations such as Nigeria. In March 2006, a report by the All Party Parliamentary Group on Africa criticized the 'limbo-like state of anti-corruption legislation' and the 'fragmentation and under-resourcing' of investigatory and enforcing agencies. There was, the group concluded, 'a lack of political will at the highest levels to take a lead in tackling global corruption'.⁷⁹

Further criticism came in a 2005 OECD report on the British authorities' performance on fighting corruption.⁸⁰

Between February 2002 and mid-2006, 72 allegations have been made, of which 13 are currently being investigated and nine are being considered to establish whether an investigation should be started.⁸¹ No prosecutions have yet been launched under the new law. This was in stark contrast to the Home Office's own 2001 prediction of between 10 and 20 investigations and one and two prosecutions each year.⁸²

Nor is there anecdotal evidence that the act has had a deterrent effect and changed British citizens' and companies' behaviour on the ground. Well after the new bribery law had come into force, one British executive in Nigeria was still describing how paying money to a civil servant to expedite a decision was 'like tipping a London taxi'.

Another British service industry executive in Nigeria describes the new corruption laws as 'well-intentioned', but says they will have 'no practical effect'. He describes how it is common for his company to be asked to pay bribes to officials at companies with which it is trying to win contracts. His business typically offers a 'compromise' sweetener, such as paying for an official's domestic air ticket to visit a relative, buying a car or offering a soft loan. The payment will be hidden in the accounts under a heading such as 'air fares' or 'sales volume discount'. These pay-offs are a fact of life in a country in which it is barely possible to do business 'unless directly, or more likely indirectly, you are giving in to the favours that are done'.

Many anti-corruption campaigners are dismayed that Britain has failed to pursue even high-profile cases where a fair amount of documentary evidence exists. They point to the example of MW Kellogg, which continues to benefit from British government trade insurance even though it is the subject of investigations in the US, France and Nigeria over alleged bribery. Along with three multinational partners, Kellogg is accused of paying kickbacks of about \$170 million to secure more than \$5 billion worth of work at a giant gas plant in southern Nigeria.

At a less high-profile level, there are plenty of other areas, in the oil industry and elsewhere, where it seems the British authorities could profitably focus their attention. One British manager working in the oil industry says his company routinely pays bribes of up to 20–30 per cent of the transaction cost to speed up the issuing of workers' residence permits and other papers that cost hundreds of dollars. He describes this level of payment as 'very respectable', adding that other businesses pay more: 'There is only one way the Nigerian immigration service works.'

British authorities who could investigate these kinds of cases claim they have suffered from a lack of resources and a lack of clarity about who has primary responsibility for tackling corruption. A December 2005 consultation paper by the Home Office attempted partly to address this, saying that, in foreign bribery cases, 'the buck stops' with the Serious Fraud Office.⁸³ The SFO believes the new arrangements will help answer some of the concerns expressed by the OECD and other critics. It has a number of investigations under way, some or all of which may lead to prosecutions.

But even if these reforms help, authorities still face considerable political and practical difficulties in successfully prosecuting bribery overseas. One Foreign Office official points to the problems of trying to coordinate cases and ensure fair trials when there are separate court processes going on in two or more countries. 'More and more there is a realization: these things don't join neatly,' he says.

A police officer who works on corruption says that, even in the simplest cases, it is 'really, really hard' to build a system in which justice is administered sufficiently smoothly to have a deterrent effect. Both Britain and Nigeria, as well as many other countries, are poor at responding in a timely way to requests from overseas for legal cooperation. Administrative systems are slow, and there is a general lack of expertise worldwide in prosecuting money-laundering.

In addition, because of differences in the legal systems, the evidence provided by the Nigerian authorities is sometimes not in a form that can be used in Britain. For example, prosecution cases in Nigeria will tend to summarize witness statements rather than handing each one individually to the defence, as is the practice in Britain. This point 'has not been grasped by the UK', which tends to assume – by implication, rather arrogantly – that evidence from Nigeria is of a lower standard. 'That's not a valid assumption,' the police officer says. 'They are just different. It's actually our problem if you can't use Nigerian evidence in a UK court.'

One thing that could help, he suggests, is to further develop institutional links between Britain and Nigeria to help each country understand better what the other needs. For example, a lawyer and regulator in Britain could be given special responsibility for dealing with specified Nigerian counterparts. On the Nigerian side, financial crimes investigators say there is also a need for Nigerian law to be updated to allow the admissibility of faxes and digital evidence.⁸⁴ Ultimately, says one British officer, what may be needed is some kind of international court, to overcome the problems of multi-jurisdictional prosecutions. Otherwise, he finds it hard to see how even the new laws in Britain will have much impact. 'The bottom line is, if you don't have any prosecutions for corruption then anybody is going to think they can get away with it,' he says. 'And they would be right.'

Critics say there are also significant problems with British reformed anti-money-laundering systems. Some branches of government, such as HM Revenue and Customs (HRMC), are under no obligation to share information with other enforcement authorities. This means cases of tax evasion, which is often linked to other criminal offences, may not be reported to other agencies.

The Treasury, one of whose ministers oversees HMRC, insists there is no evidence to suggest that any agency is unable to obtain relevant information from HMRC for criminal investigation purposes. HMRC itself says it would be 'unusual' if it did not share information with other agencies in cases in which it was bringing criminal charges. But it adds that it would not pass on information to other agencies in cases in which it has done a deal with a tax evader. Such agreements would involve the evader paying tax due, interest and penalties, in exchange for escaping prosecution and wider publicity. HMRC says it is prevented by law from passing details of such cases to other agencies. It does not agree that such reporting should be mandatory, arguing that the current discretionary system ensures a balance between 'sharing information to fight crime whilst giving due regard to the confidentiality of the information we acquire'.

Another area of concern has been the changes to Britain's regime for reporting activity suspected of being linked to money-laundering. The system became increasingly clogged up as new legislation increased the number of business sectors covered by anti-money-laundering requirements. The number of suspicious transaction reports almost tripled from 56,000 in 2002 to more than 154,000 in 2004, and just under 200,000 in 2005.

People in the banking industry have criticized the way the system was run by the National Criminal Intelligence Service, which in turn complained it did not have the resources to look into suspicious activity reports deeply.⁸⁵ Two years ago, the anti-money-laundering reporting regime had 'very little credibility' with the financial sector, says one regulator. He says: 'They weren't sure of its purpose, they weren't getting much interaction with law enforcement, they spent a great deal of money and they were being driven by the regulator to do things they thought were of [negligible] value.'⁸⁶

Since then, the government has started to try to make the system more efficient and flexible. Suspicious transaction reports are being sent to the Serious Organized Crime Agency, which incorporates NCIS and the National Crime Squad. In addition, the laws setting up Soca allow it to disclose information to other bodies, and vice versa, as long as the data exchange is relevant to Soca's statutory functions.⁸⁷

In April 2006, Sir Stephen Lander, Soca's chair, said suspicious activity reports played an important part in fighting organized crime but admitted the authorities had 'not been making the most' of the information contained in them. He made his comments on publication of his review of the system, commissioned by the Treasury and the Home Office. He made two dozen recommendations, principal among them that Soca take overall responsibility for the way the system works.

For all these potentially useful changes, worries have already surfaced about how the suspicious transaction reporting regime and Soca in general will work. One is that Soca may not be much interested in money-laundering stemming from fraud and corruption, since its main targets are drugs rings and immigration crime. Another is that it is vulnerable to a shortage of qualified investigators, turf wars and unclear regulations on, for example, the consent regime, under which banks proceed with suspicious transactions if they are given official approval to do so. There is, says one banker, 'a lot of hope' riding on Soca, but also 'a bit of cynicism'. 'We will see how it goes for a while,' he says.

On the regulatory side, the FSA says it has tried to steer the financial industry towards developing a measured, risk-based approach towards money-laundering, rather than swamping the system by reporting everything just to be on the safe side. In short, banks and other financial companies need to 'defend themselves against criminals, not against the regulator',

says the FSA's head of financial crime. He thinks new money-laundering guidance, drawn up by the British Bankers' Association and approved by the Chancellor Gordon Brown earlier this year, will help. 'Once you start to get the system more in balance ... then you can start to feed it with better intelligence,' he says.⁸⁸

The FSA says tougher due diligence rules have made the British financial system a harder target for criminal money, although it admits there are still significant gaps. For instance, if someone says they are the beneficial owner of a company and they are not, it is sometimes very difficult for the institution to spot that. This is especially true if the person lies or is careful to conceal what he or she has done by, for example, forging documents suggesting the money comes from a legitimate source. The use of corrupt insiders in the banking system who can wave transactions through is also an increasing problem. It all shows, the FSA says, that the banking sector cannot be 'the first line of defence' against money-laundering.

There are further vulnerabilities inherent in the international nature of the financial system, the FSA says. A British bank may still not be able to tell whether Nigeria is the ultimate source of money, if the transaction has gone through other countries en route. The banking industry has 'open borders', meaning that the industry in Britain is relying to some extent on other countries imposing the high standards they claim to observe.

It is a point reinforced by one British banker who has processed hard currency transactions in London on behalf of banks in Nigeria. Even under the new, tougher, money-laundering rules, his bank still has to rely heavily on its Nigerian counterparts having performed the checks they are supposed to. To be blunt, he says, if his bank is undertaking a transaction on behalf of Mr Jones in Nigeria, it may 'not know anything about Mr Jones' and may not even know the customer is Mr Jones.

The best response to these problems, the FSA says, is greater cross-border sharing of intelligence from where the fraud, theft or corruption originates. This would include, for example, passing on information about well-known bogus companies or data from immigration authorities on whether certain number series of UK passports are forged. Nuhu Ribadu, head of Nigeria's Economic and Financial Crimes Commission, has visited the FSA to discuss improving general cooperation, although the two bodies have yet to exchange any specific intelligence.

The FSA sees its ongoing country assessment process as crucial to understanding criminal money flows and working out which areas represent the greatest threat. Once again, there appears to be a shortage of information on Nigeria: the FSA has not yet conducted a country assessment, although it plans to do some work on Nigeria this year. The FSA admits its approach to country assessments so far has been politically led and driven by Foreign Office priorities. 'We start where we have most material to work with,' an official says.⁸⁹

Bankers claim their anti-money-laundering safeguards are now of a high standard and say their main worry is that the system has become too inflexible. One says he receives far more complaints about the system being too strict rather than too lax: banks already think Nigeria 'has trouble written all over it', because of the criticism of the Financial Action Task Force. This chimes with anecdotal evidence from wealthy Nigerian acquaintances of the author: two said banks had decided to close their accounts on grounds of risk, while a third said he had to wait two hours at a counter when he took out a little more than £1,000 in cash. The challenge for the industry, the British banker says, is to implement a measured, risk-based approach at the counter-level world of busy cashiers who often have little experience of anti-money-laundering controls.

The Treasury declined a request for a meeting to discuss corruption and money-laundering, although it did provide written responses to questions. It said there had been a 'significant cross-Whitehall effort' in place for some time to improve government responses to overseas corruption. The government's anti-money-laundering strategy, published in 2004, was led jointly by the Treasury, Foreign Office and Home Office, with the support of various government agencies and industry regulators.

The Treasury did not answer directly a question about whether it accepted the criticisms made of Britain's performance on corruption by the All Party Parliamentary Group on Africa. It said instead that it accepted the group's analysis that the British financial sector was 'generally well-regulated' and was at greater risk than some of its international counterparts because of its sheer size.⁹⁰

The Treasury also offered an indirect answer to a question about whether it accepted the criticisms made of the way the suspicious activity reporting regime worked. It said it endorsed the conclusions of the review on suspicious activity reports by Sir Stephen Lander, Soca's chair.⁹¹

The Treasury claimed Britain's money-laundering controls in relation to overseas corruption were 'robust'. They would be enhanced by implementation by the end of 2007 of the third European Commission money-laundering directive, many aspects of which are already part of Treasury-approved money-laundering controls.⁹²

How Government Agencies and the Private Sector Tackle Crime: Nigeria

One of the striking features of talking to Nigerians in all walks of life, from the street to the governor's mansion, is that so many agree on one thing: the country is not run according to the rule of law. This is not normally said as a flippant aside or facetious exaggeration, but rather as a measured statement of what people see as the facts of everyday existence. Many Nigerians say their only experience of the law enforcement authorities is police arbitrariness, extortion and brutality. The police may well be the last people they call, for fear of being arrested and persecuted themselves.

Lawyers describe a legal system full of never-ending cases, bribery and judges who bend to political pressure. One prominent Nigerian lawyer says the judicial system 'doesn't work': criminals don't get caught often and, if they do get caught, they tend to get off. Another describes Nigeria as a 'country where you can get away with anything', adding that only white outsiders think the justice system credible. A former state government official says ominously: 'Everything else is manageable. But when there is no rule of law, it could be you.'

This state of affairs lends an air of unreality to any discussion of Nigeria's framework of laws for dealing with financial crime. In many cases, the rules themselves are quite strict, especially since the changes that have been made over the past few years in response to international pressure. The problem is that enforcement is extremely limited and selective, for reasons including resource shortages, political pressure and corruption. For all the qualities of particular individuals working in the system, deep institutional weaknesses often severely circumscribe their effectiveness.

A. The anti-corruption and anti-money-laundering regime

One British investigator estimates that the 'vast majority' of money from many Nigeria-related consumer frauds in Britain ends up back in Nigeria.⁹³ There, laundering the money is generally not too hard. Very few transactions are paid for electronically or even by cheque, meaning that there is nothing unusual or suspicious about using thousands of dollars in cash to pay for an air ticket or a car. According to the central bank, as of 2004, more than 400 billion naira of currency was held outside the banking system.⁹⁴ (See Box 6.) In other words, Nigeria is a quintessential cash economy, where the highest-value banknote is worth £4 and where banks habitually give customers black plastic bags to store large withdrawals.

The flow of raw cash from Nigeria to Britain is also considerable. Seizure figures from HM Revenue and Customs give a sense of how much money some Nigerians carry when they go overseas. In the 2004–5 financial year, Customs took about £886,000 from Nigerian nationals in 16 separate cases, an average of more than £55,000 per person. In the first half of the 2005–6 financial year, the seizure figure was £711,949.⁹⁵ Asked for further information on Nigeria-related seizures, Customs said it did not keep 'race-related' statistics and did not target particular individuals or countries 'in that way'. 'We don't want a diplomatic incident,' an official explained.

On corruption, the Nigerian system has been tightened in some important if limited ways, while other obvious loopholes have been left open. Many Nigerians are deeply ambivalent about the government's record, welcoming what they see as the start of long overdue action against some individuals while arguing that many other great crimes continue with impunity. In some cases, abuses of power go on quite openly: it is what one senior Nigerian politician describes as being 'corrupt transparently'.

BOX 6: INTERNATIONAL WIRE TRANSFERS

The experience of the manager of a Western Union operation at a large Nigerian bank hints at how vulnerable the international wire transfer system still is to financial crime.

The manager, who asked to remain anonymous, oversees a network of more than 100 Western Union facilities, giving out up to \$650,000 a day in hard currency and 15 million naira.

In terms of the value of transactions, 49 per cent comes from the US and 12 per cent from Britain, the second-largest source. The bank makes a suspicious transaction report to the authorities for any hard currency transfer of more than \$5,000.

The system has numerous shortcomings, the manager says. One is that only a passport or driving licence is required to prove the recipient's identity. Since these documents are easily and commonly forged in Nigeria, the bank sometimes receives complaints from genuine customers who turn up to collect their money, only to find it has already been taken by an impostor. There have even been instances in which passport officers have backdated passports to allow the holder to collect money from the Western Union counter staff, who require all passport identification to be at least three months old.

The manager raises the possibility that the fraudsters may gain advance knowledge of transactions through inside information or by hacking into banks' Western Union computer systems. The EFCC says that in late 2005 it was receiving four or five complaints a day from people complaining they had tried and failed to collect money from Western Union because somebody else had already taken it. The amounts involved were typically about \$2,000–2,500.^a

At other times, the manager says, fraudsters try to bribe bank tellers by offering them a share of the proceeds. A teller was recently offered \$5,000 by someone who had come in to claim a transfer of \$11,000. The temptation in this kind of situation is huge: a teller's typical monthly salary is about 52,000 naira, which is high by Nigerian standards but still very low in Western terms.

The methods used by the fraudsters to extract money are sometimes extremely crude and could easily be stopped if enforcement were more rigorous and the incentives for bank staff to be alert and honest were greater. In one case, two young men in the eastern city of Owerri attempted to obtain money through Western Union via a fraud using presidential headed notepaper and a forgery of the president's signature. They were caught only because they were overheard by staff in the banking hall saying excitedly: 'The Oyimbo [white] man has sent money again.'

If a fraudulent transaction is identified and reported to the authorities, that can deepen the bank's problems. On two occasions, the manager says, police have unfairly arrested bank staff on suspicion of involvement in incidents they reported.

On one of these occasions, the bank paid the police a bribe of 3,000 naira to release the staff members and go away. The manager suspects the police sometimes split the proceeds of such extortion with the fraudsters they are supposed to be investigating.

Sometimes the manager's bank refuses to pay out on a transaction it regards as suspicious, only to find that another bank later does so. In other words, fraudsters can shop around until they find a bank that is sufficiently lax or unscrupulous to give them the money, rather as Nigerian fraudsters in Britain might try versions of the same scam on several different institutions. The manager suggests the system needs a mechanism for marking suspect transactions with electronic flags, as a warning to other banks.

Another possible safeguard would be to require any transfer of more than \$500 to be paid directly into a bank account. Transactions of more than \$500 account for only 22 per cent of the total by number, but about two-thirds by value. This could help because conditions for opening a bank account in Nigeria are relatively strict in theory, often requiring references from people who have known the applicant for some time. In practice, some banks are less stringent and some applicants and their referees lie.

The manager asks whether it would be worth making it compulsory for senders to give Western Union their addresses and telephone numbers, so they could be contacted if the recipient of the money seems suspicious. At present, according to Western Union, the consumer is required to know the full details of the transaction, including sender's name, amount sent, sending location and the answer to a test question established by the sender. Western Union says it encourages senders to provide this information only to their intended recipient. Western Union agents suspicious about a transaction are advised not to pay it out and instead to contact Western Union, which will then contact the sender of the transaction directly.

Western Union said it was 'well aware of the increase in what are often called "Nigeria" or "419" scams', but that it was not able to provide data on levels of fraud related to transactions in Nigeria. The company said it had received no reports of any incidents in which fraudsters had hacked into its computer systems. It added that it was working with agents and authorities around the world to find a 'workable solution' to authenticate identification documents.

The Nigerian bank manager is amazed at how much money foreigners still send to people in the country they do not know. She receives a large number of communications from people asking whether advance fee fraud e-mails they have received from Nigeria are genuine. She used to write back to warn people off, but she no longer does so because she is fed up with receiving so many messages. 'The 419 has eaten deep into the system,' she says.

^a Interview with Ibrahim Lamorde, EFCC operations director.

Some of the most important reforms by the government relate to the use and reporting of oil revenues. The Finance Ministry has set up a fund to safeguard windfall revenues resulting from the high oil price over the past few years. It also publishes details of the money given to various states and local governments. These figures, which show how oil-producing states receive significantly larger allocations than other areas, provide a starting point for gathering intelligence about where the main risks of official corruption and money-laundering lie.⁹⁶ Other valuable information can be obtained from the state government budgets, such as that for oil-rich Rivers state, which contains allocations of millions of dollars for vague or unexplained purposes.⁹⁷

Another programme, known as the Nigeria Extractive Industries Transparency Initiative, is intended to disclose for the first time how much oil companies pay the government and how the government uses that money. Hart Group, a British consultancy appointed by the Nigerian government, has just begun publishing the first results of a historic five-year audit of the multinational oil companies and the Nigerian National Petroleum Corporation, their state-owned joint venture partner. The results are likely to be closely watched to see if they give clues as to the extent of corruption at an official and company level.⁹⁸ As one close observer of the oil industry puts it, 'deals, whether they are corrupt or not, are so untransparent that anyone can accuse anyone of anything'.

So far, interim reports by the auditors have highlighted various government accounting weaknesses and discrepancies of hundreds of millions of dollars between what the oil companies say they have paid and what the authorities say they have received. The long-promised publication of the audits has been generally welcomed, with the campaigning group Global Witness arguing that they are pioneers in Africa in the transparency they bring to oil companies' dealings with government. Other observers including Prem Sikka, an academic specializing in international corruption, have been much more critical.⁹⁹

A key test of the final audit's credibility will be whether it contains details of exactly who holds oil exploration, production and trading rights and how they have obtained them. Many Nigerians say these awards are a key source of corrupt official patronage and international money-laundering. Media reports on Hart Group's work, published shortly before the interim audits were released, suggest the consultants have already made potentially explosive discoveries in this area.¹⁰⁰

Research by Transparency International, the anti-corruption organization, suggests there has been a marginal improvement in Nigeria's performance. In Transparency's latest annual index of how corrupt countries are perceived as being, Nigeria was ranked equal sixth worst of the 159 nations, a rise from its second worst position the previous year.¹⁰¹

Critics have pointed out that the Transparency work is a very rough yardstick, as people's perceptions of corruption are in part formed by the index itself. On the other hand, the small statistical improvement is reflected in some anecdotal evidence in Nigeria, although many people are quick to point out what big problems remain. The International Monetary Fund said this year that the Nigerian authorities were making 'good progress' in their efforts to improve governance and cut corruption, although it added that 'huge challenges' remained.¹⁰²

Some Nigerians even argue that one of the effects of the increased action on corruption has been to show just how rotten the system is. The singling out of a few individuals among a galaxy of potential suspects has raised concerns that Mr Obasanjo is using his anti-graft campaign as a political tool to discredit opponents while protecting his own allies. The critics' logic runs like this. For the British authorities to prove a Nigerian official has broken British money-laundering law, they need the Nigerian authorities to prove the cash represents the proceeds of crime. That cooperation has been forthcoming only when, as in the cases of governors Dariye and Alamieyeseigha, the accused have fallen out with the Nigerian executive. In other words, according to this argument, members of the presidential clique are using Britain to pick off their enemies by selectively releasing information that is damaging to them. At worst, say the sceptics, the British police are being drip-fed bona fide evidence of crimes that deserve to be prosecuted but are nevertheless being used as part of a political strategy in Nigeria ahead of national elections due next year.

Nigerian officials deny the prosecutions are selective, while British officials say they are acutely aware of the danger that they could be so. One British official who works on financial crime issues says he accepts the Nigerian government's anti-corruption campaign is not a simple 'good guys versus bad guys situation'. 'Everybody' could be implicated in corruption, he says, although he adds that Britain is 'reasonably confident' Mr Obasanjo is sincere and is therefore worth supporting 'fairly unconditionally'. It is unrealistic to expect the president to pursue his supporters initially, so it is worth making a compromise in the interests of limited progress. 'The politics can wait, to a certain extent,' the official says. 'We are so keen they should do something about corruption, and demonstrably do so, that we are not going to pick holes in their approach just yet.'

One British observer, who has a close knowledge of the governors' money-laundering cases but asked not to be identified, says the authorities are able to be more independent than critics think. They are not solely reliant on tip-offs from Nigeria to trigger investigations. He says information 'directly relevant' to corruption in Nigeria has come out of suspicious transaction reports made by British financial institutions under the country's new money-laundering regime. In other words, he argues, it is 'quite possible' for a probe of a Nigerian official to be generated in Britain, separately from any action by the Nigerian authorities. Typically, the British Foreign Office and police would discuss potentially sensitive cases before they were made public, although the police would take the decision on whether or not to prosecute. There are also practical obstacles that prevent London taking action against some allies of the president, he adds, naming one notorious governor who is safe from British law because he is thought to keep his stolen money in Paris.

B. The property sector

For people who have made money through fraud, property is an obvious asset to use to launder the proceeds. The relative underdevelopment of Nigeria's financial markets makes land and buildings a particularly attractive investment. Prices have risen steeply in Lagos, as wealthy Nigerians and expatriates have come to the city to try to cash in on the boom in oil revenues. Buying to rent is a very good way to make quick money in Lagos: landlords frequently demand

two or even three years' rent in advance from their tenants. Overall, property is 'a very high-value market, it's a liquid market and it's a growing market', as one investment fund manager puts it.

Partly in recognition of this, Britain is investing millions of pounds in Nigerian land registries that have suffered acutely from the sclerosis of military dictatorship. According to Nigerian and British officials, Nigeria's land registries are generally decayed and disorganized even though individual staff members may be efficient and knowledgeable. A federal Housing Ministry official says obtaining any information from these offices might take days or even weeks. A British official describes graphically an early visit to the Ekiti state registry, where records were unprotected from damage by rain, ants and termites. 'The door is hanging off the hinges,' he says. 'It is open to incredible levels of tampering and corruption.'

The physical deterioration of Nigeria's land registries and the gaps in their records does not necessarily mean all evidence of past crimes is absent. One British official who has worked on the land registry project argues that, far from trying to hide corrupt property deals, some owners have outlined them in great detail. At the time, this would have been a rational thing to do: they wanted to establish title, and they had little or no fear that they would ever be investigated. The flip-side of this past punctiliousness is the possibility of present-day exposure, particularly if more registries introduce the kind of computerization currently under way in Lagos. 'It's like turning on the ugly lights in a nightclub and lighting up the dark corners,' the official says.

It is not just the physical environment that has made the property sector and registration system prone to abuse by criminals. Many Nigerians are very critical of the effects of the 1978 land use decree introduced by President Olusegun Obasanjo during his time as military dictator. Under it, all land, including the oil, mineral and other resources under it, is owned by the government. It is a mirror of the British system, under which all land is ultimately owned by the Crown.

Nigerian politicians routinely use this to their political advantage. Their power over land allocations offers substantial opportunities for cronyism and financial crime. This means some governors are keen to see land registered not because it would cut fraud, but because it allows them a new source of patronage for cronies. Land Registry records will also show them who is wealthy and can be tapped for money for political purposes.

In some states, limited reforms have already hinted at the extent of the problems. In Enugu, one of the main states in eastern Nigeria, a panel set up in 2000 to investigate past land transactions reversed some deals. Many old members of staff were sacked and new people brought in. Ike Ogbonna, the state commissioner for lands and housing, estimates that up to 5,000 of the 40,000 to 50,000 files at the registry have important details missing.

Asked if the system is still being abused by the state authorities for patronage, Mr Ogbonna replies: 'It depends what you call abuse. I have not experienced any cronyism that you wouldn't find in any other system.'

Flaws in the system include under-declaration of how much people have paid for their properties, Mr Ogbonna adds. Also, communication between the states and the central Land Registry is very poor, meaning that there is no way of checking whether an individual owns property in other parts of the country. 'I think it's one of the most common forms of money-laundering, buying property,' he says. 'Because the market is still very informal.'

The system is further undermined by the lack of public access to the information about property ownership. In Lagos state, people asking for such details used to have to secure the owners' permission first. That rule has been abolished, but requesters still have to give reasons why they want the information. In practice, says Nike Animashaun, who oversees land registration in Lagos, this means the registry would release information only to official bodies, rather than to journalists or other members of the public.

In Britain, details of who owns a particular property have, since 1990, been available to members of the public on payment of a small search fee. In addition, investigating authorities have the right to use what is known as a reverse look-up procedure. This allows them access to data on all the registered properties owned by a particular individual around the country. This is clearly a powerful tool in any case of alleged money-laundering in which authorities are trying to determine assets bought with the proceeds of crime.

For all the beginnings of reform, one British official estimates that making Nigerian land registries function properly will probably be the work of a decade or more. Britain began compulsory land registration in 1899 but, more than a century later, only about half the nation's territory is on the register.¹⁰³ A memorandum of understanding between Nigeria and Britain, signed in January 2006, is the barest start to challenging a culture of corruption and waste that has become entrenched over decades.

C. The corporate sector

The Corporate Affairs Commission (CAC) is another institution that is being modernized and computerized after traditionally suffering many of the same drawbacks as the Land Registry. Based on the author's experience, disclosure is extremely patchy, even by companies with international connections. The commission declined to respond to repeated requests for an interview.

As at the Land Registry, lawyers who have used the Corporate Affairs Commission say there are problems with cross-referencing information. For example, it is difficult or impossible to find out from CAC records how many directorships a particular person holds and with which companies.

Again in common with the Land Registry, there is no public right to look at company files. The search must be done by a lawyer. As in many industrialized countries, the named directors and shareholders unearthed in such a search may sometimes mask the beneficial ownership of the company.

D. The banking sector

Nigeria's banking system is in the throes of radical reforms aimed at strengthening a sector that has long been notorious as a conduit for money-laundering and other criminal activity. The number of banks has fallen from 89 to 25, after the Central Bank of Nigeria ruled that, from the end of 2005, every institution should have a capital base of at least 25 billion naira.¹⁰⁴

The Central Bank crackdown came amid widespread concerns about the financial and regulatory weaknesses of the sector. In 2004, Charles Soludo, Central Bank governor, described his 'serious concern' and criticized the 'spate of frauds, ethical misconduct [and] falsification of returns by the banks to the Central Bank'. He also referred to the banks' 'unprofessional' use of female staff, some of whom have been reported elsewhere to offer sex to win new customers.¹⁰⁵

The governor's comments again highlighted the crossovers in the Nigerian financial system between criminality and the formal economy. He said some banks were not really banks at all, but traders in foreign exchange, government treasury bills and 'sometimes in direct importation of goods through phoney companies'.

Under the new rules, which have echoes of the Sarbanes-Oxley laws introduced in the US in response to the Enron and other corporate scandals, all bank returns now have to be signed by managing directors. Hiding information would result in 'serious sanctions', the governor said. He published an e-mail address, *governor@cenbank.org*, for people wishing to share information confidentially about bank misconduct and declared that 'greater transparency and accountability will be the hallmark of the system'.

The new banking rules have been introduced alongside a tightening of laws on money-laundering. These were brought in as a response to heavy pressure from the Financial Action Task Force, a global inter-governmental body set up to tackle the problem. Previously an international organization of minimal stature whose rules the US consistently violated, the FATF became a strong focus of Western attention after the 9/11 terrorist attacks. The FATF has been a controversial body: some people accused it of arbitrariness in its selection of jurisdictions to target and political bias in its willingness to overlook problems in some countries but not others. Nigeria was blacklisted as 'non-cooperative' by the FATF in 2001 and by 2006 was one of just two countries so designated.¹⁰⁶ The other was the notorious military tyranny in Burma. In June, the FATF decided to remove Nigeria from the list, citing its progress in implementing anti-money-laundering reforms, establishing a financial intelligence unit and launching money-laundering investigations, prosecutions and convictions. Nigeria had also 'taken steps at the highest level' to fight corruption.¹⁰⁷

Nigeria's new laws comprise tighter rules on transactions carried out by both financial institutions and individuals. The rules are enforced by threats of fines, licence revocation and court surveillance. Banks have to report to the authorities within seven days any complex, suspicious and unusual transactions, including all those of above 1 million naira (£4,000) for an individual or 5 million naira for a company. In addition, cash transactions of more than 2 million naira for companies or 500,000 naira for individuals – about £2,000, or less than the cost of a standard return Lagos–London first class British Airways ticket – are outlawed altogether.¹⁰⁸

While there is wide acknowledgement of the need to crack down on money-laundering in Nigeria, as elsewhere in the world, some business people question whether the new legislation is a practical and effective way of doing this. The laws have caused the kind of problems one would expect from legislation passed hurriedly in a country with a cash economy, high levels of institutional corruption and a low capacity for analysing suspicious transactions. Respected bankers describe the rules as too rigorous for an environment in which it is not uncommon for members of the elite to legitimately carry around thousands of dollars. Reputable banks have deluged the authorities with suspicious transaction reports. (See Box 7.)

Apart from clogging up the system, the slew of reports has had another, more sinister, effect. The suspicious transaction reporting opens up another avenue that investigating authorities can use to extort money. Echoing the complaints of courier companies, bankers are particularly critical of the behaviour of officers from the National Drug Law Enforcement Agency.

One Lagos banker says the new rules bring work and persecution for reputable banks while leaving rogue banks untouched. Most banks that are used by government officials to launder

BOX 7: THE EFCC FINANCIAL INTELLIGENCE UNIT

The financial intelligence unit of the Economic and Financial Crimes Commission claims to be the first body of its kind in West Africa, which perhaps explains why it is still working out how best to do its job.

Since January 2005, the unit has been responsible for collecting suspicious transaction reports and gathering intelligence on financial crime for use by law enforcement agencies and regulatory bodies.

The unit receives reports of transactions exceeding 1 million naira for individuals or 5 million naira for a corporate body, or any currency transaction involving more than \$10,000. Banks also have to report any sudden deposits of unusually large amounts. The unit has the power to freeze assets while it investigates cases.

The unit has observer status on the Egmont Group, an anti-money-laundering organization made up of national financial intelligence authorities. The unit's 37 staff includes accountants, bankers and financial analysts. A.B. Okauru, the unit's director, says his officers have powers of arrest but tend to leave that side of the job to the EFCC.

Unsurprisingly, the initial level of suspicious domestic transaction reporting by banks has in general been low. Between January and June 2005, the unit received just 1,627 reports of naira transactions from 84 banks – which works out at a fairly low average of fewer than 20 per institution.

In the high-activity foreign currency market, the picture was reversed. The unit was overwhelmed with 1.3 million currency reports during the same six-month period. Mr Okauru says the unit has only had time to analyse under 5 per cent of these transactions. Asked which staff members are doing this work, he laughs and says: 'Everybody.'

Mr Okauru says the unit is considering automating the analysis, or asking for the monetary threshold for currency transaction reporting to be lowered. The unit has been looking at what computer systems the Australian and Canadian authorities use for this kind of work.

For Nigeria, the cost of automation could be close to \$5 million, Mr Okauru estimates. Asked if the money is available, he laughs again and says: 'These are interesting questions.'

He hopes money for the automation will come from the banks, the European Union and the US. As he acknowledges, training officers to use these systems will cost further money and time. One British official who has worked with the EFCC says that, whatever the professional qualifications of the unit's staff, many of them are very short of expertise and experience in financial investigations.

Mr Okauru is open to and interested in any ideas on how his unit could become more efficient. He says that in practical terms the reporting system is still cumbersome, as banks generally submit their reports on computer disks rather than by e-mail.

Aside from this self-criticism, the unit's staff point to various shortcomings in the international approach to money-laundering, with which Nigeria has been pressed to comply. One of Mr Okauru's colleagues accuses rich nations of hypocrisy, saying they have failed to apply to themselves the standards they demand of others.

He adds that the suspicious transaction reporting system is under strain partly because some international money-laundering norms are not very appropriate for Nigeria. Large cash and currency transactions that are defined as unusual by Western standards are in fact part of the normal way of doing business in Nigeria. 'Look at the enormous amount of data received and the [small] number of people receiving it [at the unit],' he says. 'If you look at the ratio, there will definitely be a backlog of things to do.'

Similarly, another colleague says that the traditional approach to tackling money-laundering by tracking movements of finances is not very effective in Nigeria, because the lack of physical or electronic documentation for many transactions makes them hard to follow. More emphasis should be given to the informal intelligence gathered by tapping in to the Nigerian elite's highly active networks of gossip. 'We don't mind receiving the junk,' he says. 'The ability to sieve the junk to make meaningful interpretations is what our challenge is today.'

corrupt money know perfectly well what is going on and simply hide it from the authorities, he says. Managers and clients will conspire to conceal money, knowing that they are unlikely to be investigated unless the climate turns against them politically. The system needs to be changed to make limits more realistic and to allow banks more discretion on reporting suspicious transactions, with the understanding that they will be held to account if they fail to act responsibly. At the moment, the rules create many difficulties for both legitimate banks and the authorities without bringing great benefits for either. 'It's time-consuming for us and time-consuming for them, but it doesn't really add much information,' he says. 'But that's what the Western world wants, so we are complying.'

His point about the widespread collusion in the banking system is echoed by a senior EFCC official. He says that, historically, the biggest money-laundering culprits are bank managements motivated by deposit targets and the cut-throat competition of the industry. They cover up the sources of funds and even teach depositors what to say to deflect suspicions of money-laundering. The EFCC official says the only way the money-laundering regime can be effective is if bureaux de change and street money-changers are much more tightly regulated, and the use of cash is greatly reduced. The official does not have a credit card and says he gets embarrassed on overseas trips when he pulls out wads of banknotes to pay for meals with colleagues. 'You know the implication,' he says. 'You are talking to everybody about this money-laundering – and then you are paying in cash.'

One Western banker who is familiar with the Nigerian system thinks the authorities' efforts to force large transactions into the banking system by outlawing cash payments are unlikely to succeed, given how freely cash is used and how few people have bank accounts. He says he has seen little evidence of official action in response to banks' suspicious transaction reports, adding that he has questions about whether the authorities dealing with them are sufficiently well-resourced and competent. He points out that similar criticisms are made of the authorities in both the US and Britain.

It is too early to say whether the raft of new laws in the Nigerian banking sector will achieve the kind of improvements envisaged by the authorities. What is certain is that the pervasively casual habits of many institutions have not suddenly disappeared overnight. Even some of the survivors of the Central Bank cull of banks acknowledge they do not comply with the new money-laundering rules. An account manager at one well-known bank admits his institution does not routinely report suspicious transactions, including transfers of up to 70 million naira. 'I am a Nigerian,' he explains. 'People are not that fastidious about things.'

E. The Economic and Financial Crimes Commission

All over Nigeria, the Economic and Financial Crimes Commission's vivid red billboards have become a familiar sight. They show a photo of a pair of male hands in handcuffs next to the simple message: '419ers beware! EFCC will get you anywhere, any time.'

The posters sum up the robust, flashy and increasingly well-financed approach of the EFCC, the premier body cited by the government and Western countries as evidence that Nigeria is serious about fighting financial crime. In under four years of existence, the commission has, among other acts, arrested hundreds of alleged e-mail scammers, tried to curb oil theft estimated to cost Nigeria more than \$1 billion a year, and campaigned successfully for the British authorities to return £3 million they seized years ago from an associate of the late dictator General Sani Abacha. In doing so, it has won great popular support, while also facing accusations from some Nigerians that it uses its extensive powers politically and sometimes shows little regard for due process and the rule of law.

The EFCC is another product of the international pressure over money-laundering and has been backed by a great deal of outside cash. In particular, it has become popular with donors eager to support what they see as progressive forces in Nigeria. In October 2005, the European Union agreed to give the EFCC 24.7 million euros over the following five years, towards equipment, training, awareness-raising and the judiciary.¹⁰⁹

Chaired by Nuhu Ribadu and staffed at senior levels by his former colleagues in the regular police, the EFCC is a powerful and in many respects elitist organization. It includes representatives from a wide variety of government ministries, agencies and law enforcement authorities, although only the chairman and secretary are full-time positions. Salaries and perks are relatively high: one assistant in her late twenties says she earns 100,000 naira a month, which is almost unheard of in the civil service.

Olaolu Adegbite, head of the commission's advance fee fraud unit, admits EFCC officials are very well treated. He says he cannot think of 'any establishment in Nigeria that enjoys [better] conditions of service'. Officials are paid their allowances, investigations are financed and foreigners brought over to testify. A new Lagos headquarters building is under construction. Many officers have received training abroad, in countries such as Hong Kong, Canada and the US. 'Everything we need, we have, to be frank,' he says. 'Which is not common for public officials in Nigeria: in Africa, it's not common.'

He thinks the pay and conditions have helped save junior officers from corruption and there is no comparison with his experiences in the police force, 'where you don't even have a chair to sit down, you don't even have an office'.

The EFCC's high status is further reflected in the sweeping authority given to it in law. The EFCC is, for example, explicitly allowed to investigate people if they appear to officers to be living in a way that could not be sustained by their sources of legitimate income. In other words, having lots of money automatically invites suspicion and questioning, if the investigating officers so decide.¹¹⁰

The EFCC is constituted as much to recover allegedly stolen money as to ensure thorough investigation of cases, public exposure of the facts in court and exemplary punishment. It can plea bargain by accepting money to settle offences, up to the amount the defendant would have had to pay if convicted. Court hearings for EFCC cases are accelerated and false asset declarations to the commission can be punished by up to five years' jail. The system is weighted to make paying out to settle much more attractive than taking on the EFCC in the courts: even if you walk free from court 'merely ... on technical grounds', your assets could still be seized.

The EFCC claims that between May 2003 and June 2004 alone, it recovered proceeds of crime worth more than \$700 million, including more than 20 billion naira for the government. It also claims that its work has led to a 20 per cent increase in the revenues earned by the tax authorities and the seaports. In April 2006, the EFCC estimated that it had been able to recover money and assets 'projected at 500 billion naira [£2 billion]' in its lifetime. It said it did not keep any portion of these recoveries.¹¹¹

Many of the EFCC cases that have come to court have resulted in harsh punishments. In one case, two men received ten-year prison terms for an attempted fraud in which they posed as EFCC officials to try to con a company called Stallion group out of just £400. Passing sentence, Justice J.O.K. Oyewole said he had to create a deterrent against offences that had 'turned the country into a pariah among the international community'.¹¹²

The EFCC has almost completely subsumed the work of the Independent Corrupt Practices Commission, the much-criticized body set up by the government to investigate cases of official graft. It is now the EFCC that leads cases against politicians such as the two governors arrested in Britain in 2005 over alleged corruption, the former police chief Tafa Balogun and a group of parliamentarians, including the former Senate president. British police officers and government officials respect and like the EFCC's top people, whom this author has also always found accessible and helpful.

The EFCC is populist and popular, and many Nigerians are enthusiastic about the vigour with which it has locked up people who seem 'obviously guilty' and taken their assets away from them. But its image in Nigeria is also more complicated than some of its Western allies suggest.

Some people worry that the commission has made its mandate far too wide, is over-extending itself and will be used to pursue political vendettas of the 2007 national elections approach. Many Nigerians believe the EFCC is already politically selective in its prosecutions and is heavily influenced by the president, who appoints the chairman. A senior Nigerian government official even goes as far as describing the EFCC as 'a disaster waiting to happen' because of this political interference.

Another serious accusation made against the EFCC concerns the way it investigates its cases. Some Nigerians say it epitomizes the dictum that draconian laws beget even more draconian behaviour. They say the EFCC regularly holds people for many days without charge and thinks nothing of leaking entire case files to the media, short-circuiting the court process. At its worst, people charge, the EFCC extorts money by locking people up until they, their employers or relatives are so desperate to get them out that they pay up.

In one case, a banker acquaintance claims he was detained overnight after a squabble between two clients over a deal that went wrong. He was arrested after one of the customers, who was politically well connected, complained to the EFCC. EFCC officials demanded that the banker refund the money, even though no criminal allegations or charges were made against him or the bank. He was locked up with dozens of other people, who offered him a comfortable corner of the cell, known as 'Aso Rock', after the presidential palace. He was released the next day. He says he is very angry about his treatment, which changed how he viewed the EFCC. 'I never knew that was the way they operated,' he says. 'I used to think that if people were in detention, "ah – they must have done something." I now know there are a lot of innocent people.'

Other stories suggest not all individual EFCC officers are as incorruptible as their supporters maintain. One respected lawyer who has worked closely with the commission says it is quite common for him to pay its officers bonuses for doing normal duties that help his work. If an officer had to fly to Abuja, for example, the lawyer would pay not only his 10,000 naira air fare but also a 5,000 naira cash bonus. 'In Nigeria, you simply can't function without bending or breaking the rules at one time or another,' the lawyer says. 'I recognize that and the EFCC recognize that as well. As someone put it: "They will not take bribes – they will take thank yous.'"

The EFCC strongly denies it is subject to political interference or involved in corruption. One reason for the corruption allegations made against it, its officials suggest, is that fraudsters have had success in posing as EFCC officers in order to extort money. In one case, the EFCC was phoned by a business person whose premises were being raided by a fake EFCC official. When the genuine officials arrived, he tried to swallow a fake secret police identity card he was also carrying. The officers grabbed him by the throat to stop him chewing it up.¹¹³

The EFCC is dismissive of claims that its operations are directed against opponents of the president and government. It says it has 'become the fashion' for criminals to 'jump on the "opposition" train' in an attempt to blackmail law enforcement authorities to stop investigating them. 'Take a census today,' an EFCC official says, 'and you'd find the so-called opposition bursting at the seams with crooks and fraudsters!'¹¹⁴

The EFCC categorically denies that it conducts trials by media or extorts money from people it arrests. It says it does not lock up people without charge, nor does it ask them to pay to secure their release. No EFCC official has been 'directly accused' of collecting bribes or 'thank yous', an official says. The EFCC says the accusations of bribery made against its officials are of a 'vague, generalized nature' and are often made by 'self-styled civil rights crusaders' who buy space in the newspapers and write under false names. These people are the agents of fraudsters and corrupt public officials who would 'say and do anything to derail the war on corruption and economic and financial crimes'.

While it is undoubtedly true that there are many criminals and corrupt politicians in Nigeria who are keen to discredit the commission, they are not the only source of criticism. British officials who deal with the EFCC often have rather ambiguous attitudes towards it, arguing that the organization is effective partly because it shows little more respect for due process than do the criminals it pursues. One British official says in private that one of Mr Ribadu's strengths has been his willingness 'not to let too many procedural niceties get in the way', unlike his emasculated counterparts at the Independent Corrupt Practices Commission. On the other hand, the official acknowledges that it is important outsiders do not get 'carried away' by the feeling that the EFCC is a 'very good thing', even if that may be justified. Constructive criticisms of its behaviour could perhaps be made through the existing informal contacts between British officials, including the police, and senior people at the EFCC.

These comments are symptomatic of the often striking contrast between the near-uniform praise that British officials offer the EFCC – and the government in general – in public, and the much more equivocal views they express in private. Referring to the allegations that the commission is politically selective in its prosecutions, one British official implicitly admits in private that there is a problem. 'The EFCC does half its job very well,' he says. 'It's never going to do the other half.'

Another official acknowledges in private the British reluctance to go public with anything other than compliments. He says this attitude stems from a fear that criticism could cause the Nigerian government to go back to the military dictatorship approach of shutting off the outside world. 'If we publicly criticize them, we cut the legs from under them,' he says, adding: 'It's a bit weaselly.'

One Briton who has regular contacts with EFCC puts it even more strongly, saying that some Western diplomatic missions in Nigeria deliberately stifle criticism of the commission. Outsiders are not paying enough attention to the need for financial skills and ethics training for EFCC officers, who, regardless of the abilities and personal integrity of various individuals, have still been trained in the martial and unaccountable tradition of the Nigerian police force. He talks of feeling uneasy at social events at which foreign diplomats hang on Mr Ribadu's every word. 'Let's face it, Nigeria is full of sycophancy: they don't need it from us as well,' he says. 'But it's reflective of a deeper psychology. Because it's the only show in town – and it's pro-British.' Few people argue that setting up the EFCC was anything other than a good thing. Many agree it has taken on pioneering cases and has played an important role in giving the public a sense

of hope that something can be done about corruption. But it is also striking how many Nigerians and expatriates who have regular exposure to the commission offer a nuanced account of how it works, as well as suggestions of ways in which it could be improved. 'It doesn't take much for these things to get off the rails,' says one Lagos-based lawyer. 'If it is to stand the test of time, it has got to be much more transparent – and its mandate has got to be clear.'

F. The regular police

The Nigerian police are simultaneously one of the country's most feared and most mocked institutions. Officers are notorious for extortion, administering arbitrary beatings and trigger-happiness. They are also ridiculed for the servile way in which they beg for money at checkpoints from wealthy-looking motorists who are passing through. (See Box 8.)

The culture of corruption is widely seen as institutionalized. Anecdotally, it is often said that one of reasons junior officers at checkpoints beg is that they have been told by their bosses to bring back a certain amount of money each day. This sense of graft directed from the centre was confirmed spectacularly by the arrest, trial and conviction on theft-related charges of Tafa Balogun, the police chief between 2002 and 2005. (See Box 9.)

Mr Balogun's successor, Sunday Ehindero, has pledged to reform the police. But, however sincere he is, there are serious questions about his ability to change an institution so riddled with problems. Even at an anecdotal level, it seems that the disgraced former boss still has a following: one British police officer says he has visited police headquarters where Mr Balogun's photo is still displayed on the wall, alongside that of Mr Ehindero. As one EFCC official puts it: 'You don't know who is to be trusted. That's the problem. There are good guys. There are excellent guys. But you never know. You might end up with the wrong person.'

The Metropolitan Police have just begun a Foreign Office-funded twelve-month £250,000 project to train Nigerian police officers in investigation and evidence-gathering. If successful, says one British police officer involved in the initiative, it could be extended for several more years. The plan is to target it at 130 officers initially, each of whom would then be expected to train up five more officers, who would then be expected to do the same for five more. In other words, within three years, the Nigerian police could have a 'good, proficient investigation unit' about 3,000 strong.

Backing the project is in Britain's interests for several reasons, the officer argues. One is that it would enable the Nigerian police to gather evidence usable in investigations in London. At the moment, if the British authorities need evidence from Nigeria, they usually have to go to the vast expense of deploying their own officers: it costs between £3,500 and £4,000 to deploy an officer for a week, with each additional week costing between £1,000 and £1,500.

Another reason why the project is worthwhile is that it ought to help address the under-investigation of Nigerian crime in London, the officer says. This would have a deterrent effect and also reassure honest Nigerians that people they saw committing crimes around them were not above the law. 'We need to control it,' the officer says. 'We can't afford to have communities where crime is rife and unpunished.'

Britain could also note the experience of other countries in dealing with Nigeria-related crime. As long ago as 1998, US postal inspectors launched a crackdown that they said led to the destruction of more than 2 million advance fee fraud letters at New York's JFK airport mail centre. Under an agreement with Nigerian postal officials, US postal inspectors and postal

BOX 8: THE POLICE SPECIAL FRAUD UNIT

Late in 2005, the Nigerian police Special Fraud Unit's Lagos headquarters had no computer, three telephone lines and three serviceable vehicles – two of which were gifts from the US government.

So said Abiola Odion, who had taken over as head of the unit in June, after the country's new police chief dismissed the entire staff and promised further reforms.

The fraud unit's turbulent and resource-starved recent history is a distorted reflection of the rise of the EFCC, to which it has ceded many of its responsibilities. Many police officers and outside observers see little prospect that the regular police will be in much of a position to offer the EFCC serious help in the fight against financial crime any time soon.

Established in 1993, the Special Fraud Unit's remit was to investigate scams of above 10 million naira that involved government ministries and agencies, banks or had international linkages. Now, the EFCC tends to handle many bank frauds and all cases involving losses of more than 50 million naira. Mr Odion said some key EFCC staff were recruited from the Special Fraud Unit.

A police officer since 1974, Mr Odion has a rare perspective on how fraudulent activity has grown as Nigeria's social welfare has plunged. He said the scams he had seen tend to involve people of above-average intelligence who are very well connected. It is they who, when in government jobs, arrange kickbacks on contracts, or write cheques to friends for jobs never performed. 'They are used to the way of the business world,' he said. 'And they have formidable friends in higher places.'

Mr Odion said someone who holds an elected position or senior civil service job for a few years would be ridiculed if they didn't use it to take government money. Because of greed, and a fear of the volatile life after politics, people secured their own future materially while they had the chance. As long as the oil flowed, the money never ran out. 'If I know you are not coming to check up on me, I will do what I like,' Mr Odion said. 'There is a Nigerian belief that government money can absorb any fraud.'

As long as Nigeria continued to turn out year upon year of unemployed graduates, Mr Odion did not expect the problem to disappear. Active minds in enforced idleness would soon find something to do. In the daily fight for a share of the national wealth, money was at the root of many friendships, and many people were not inclined to ask questions about how it was acquired.

Mr Odion said his unit was poorly equipped to tackle the problems he described. It had no internet connection and no phones capable of dialling internationally. Any case material needed from overseas had to be packaged up and sent by post. The unit received no allowances for work-related mobile phone calls, and it had been forced to scrap petrol allowances for its officers.

Littered around the unit's premises were dozens of vehicles, which Mr Odion said had been seized from fraudsters. The unit had eight vehicles of its own, but five had broken down. Of the three that were working, two were a jeep and a pick-up truck provided by the US embassy. The other one was a Peugeot that Mr Odion used. In other words, the compound was full of cars – but only the chief got to drive home in one that had been bought and properly maintained by the Nigerian government.

Mr Odion said he hoped the inspector-general's reforms would lead the unit somewhere better soon. 'Maybe when we start getting cases the money will be released,' he said. 'To mobilize the men.'

employees at the JFK facility intercepted the scam letters on a weekly basis. Postal employees were trained to identify incoming Nigerian letters that used counterfeit postage, so they could be removed and destroyed. According to the US authorities, customer complaints about receiving Nigerian scam letters fell by 80 per cent after the project was launched.¹¹⁵ The US Department of Justice named a class of crime 'Nigerian Criminal Enterprises' and

BOX 9: THE Tafa Balogun Case

In November last year, Tafa Balogun, Nigeria's former police chief, was convicted on eight charges relating to the alleged theft of more than \$100 million of public money. Government officials hailed the event as a landmark in a widening anti-corruption campaign being vigorously pursued by President Olusegun Obasanjo and a small team of reform-minded allies. Here was the first senior official to be torn down, jailed and deprived of his stolen money.

Yet many Nigerians' responses to the Balogun saga could be boiled down to one sentiment: if only life were that simple. For all the rare pleasure of seeing a guilty high-profile official actually punished, there are many aspects of the case that create serious doubts about the sincerity and effectiveness of the government's action on corruption. This in turn raises tough questions about the crudely cut prism through which other countries, particularly Britain, view Nigeria and its actions on financial crime involving public money.

Many Nigerians were angered that Mr Balogun received only six months in jail. The judge said this was because he showed remorse, although this was lost on almost everyone else who watched the trial. Mr Balogun's lawyer quoted his client as promising that he would 'bounce back' from this difficult moment. Mr Balogun made no apology for his crime, nor for his breach of the Nigerian people's trust. Only two months later did his lawyers issue a statement saying that he was genuinely sorry, adding that only God was infallible.

Equally troubling to some Nigerians is the way that Mr Obasanjo has managed to evade all responsibility for what has happened. He appointed Mr Balogun in 2002. Stories about Mr Balogun's corruption had been circulating for years, both before and after his installation as police chief.

Some Nigerians argue the case is even more sinister than that. They point out that Mr Balogun had become expendable after his force had, according to independent election observers, helped rig the 2003 polls in favour of Mr Obasanjo's ruling People's Democratic Party. If Mr Balogun had been pursued with the full force of the law, he could have made some revealing disclosures in court about the identities of people from whom he had received money and to whom he had paid it out. In May last year, shortly after his arrest, the EFCC chairman Nuhu Ribadu made an oblique warning that government officials and traditional leaders who had received 'gifts' from Mr Balogun should return them or be prosecuted.

One lawyer in private practice thinks top government officials did not feel they had the 'moral authority' to pursue a man who could have embarrassed them. 'It's almost comical, this anti-corruption crusade,' he says. 'In many respects, it's imploding on itself.'

In other words, the Balogun case can be seen as an encouraging sign of change or a grim affirmation of how rotten the whole system is. As long as the debate on that continues, the case looks rather more complicated than that of a reforming president bravely taking on formerly untouchable officials.

introduced specific measures to deal with them. The plans included the setting up of inter-agency working groups at federal level and field level, as well as pooling intelligence from confidential sources.¹¹⁶ The US authorities have also invested in public information campaigns, such as the Federal Trade Commission webpage that gives an e-mail address to which recipients can forward advance fee fraud e-mails. It also gives a freephone telephone number for people to make fraud-related complaints in areas such as the internet, telemarketing and identity theft. The information is then entered by the Federal Trade Commission into the *Consumer Sentinel*, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the US and abroad.¹¹⁷

The Department of Justice's Nigerian Crime Initiative coordinates investigations through joint task forces in six large cities. The task forces include officials from the Drug Enforcement Administration, the Immigration and Naturalization Service, the United States Marshals Service, the United States Customs Service, the United States Secret Service, the Internal Revenue Service, the United States Postal Inspection Service and the Department of State. The FBI also participates in the annual Interpol West African Fraud conference, which brings together US and foreign law enforcement supervisors and managers.¹¹⁸

Conclusion

In a sense, Nigerian financial crime has grown in significance for the paradoxical reason that it is not seen as a priority problem. The fraudsters have benefited from both their own relatively low-key approach and the general focus on terrorist financing rather than other types of money-laundering. Nigerian criminals exploit corruption in government and the wider economy, but they appear not to have the ambition or resources to exercise Mafia-style control of these sectors.

Nigerian criminals are perfectly adapted to what one critic has called the 'borderline illegality' at the heart of capitalism.¹¹⁹ They are nimble criminals who, by trial and error, have learned how to exploit the loopholes in the law enforcement system. As one author acquaintance puts it, many Nigerians would see what Nigerian criminals do in the UK as a mirror image of how British companies and citizens have behaved in Nigeria, in colonial times and since.

It is noticeable that, even among Britain's most respected fraud professionals, knowledge of Nigerian involvement is often quite patchy. What is also clear is the deep and enduring suspicion about information-sharing between public bodies and companies. In part this is a natural – and indeed healthy – tension between law enforcement authorities, regulators and the private sector; its darker side is that it means very little is known about an area almost everyone agrees is of growing concern.

One pragmatic reason why Britain should pay much more attention to the problem of Nigeria-related financial crime is that Nigeria accounts for one of the largest diaspora communities in Britain. If people see that fraud pays and goes unpunished, they may well decide they should get involved themselves. This creates a risk of what Tarique Ghaffur, a Metropolitan Police assistant commissioner, has described as large-scale 'contamination of communities' by organized crime.¹²⁰

Similarly, high levels of Nigeria-related financial crime are very damaging to the image and standing of the many Nigerians who live honestly in Britain or visit the country to do legitimate business. One Metropolitan Police officer who does Nigeria-related work says the level of reporting of all types of crimes by Nigerians to the British police is very low: the links and conduits to pass on information are just not there.

Some agencies in Britain perhaps need to reassess assumptions that anyone who falls for a Nigeria-related fraud is a knave or a fool. This may have been true in the early days of advance fee scams, when virtually the only way of perpetrating them was by making preposterous proposals by letter. It is outdated in an electronic age, in which the sophistication of the fraudsters has moved in tandem with that of the technology.

For all the rules against financial crime that existed previously or have been introduced in the past few years, Nigeria remains a country where the rule of law is enforced only selectively and often for political reasons. It is also a country in which mass poverty, unemployment and corruption make fraud one of the better options for people seeking to improve their standard of living. Until these realities change, the impact of British and Nigerian government policy and law enforcement activity will always be limited: both countries are criticized for claiming to tackle fraud and corruption far more rigorously than they actually do. Both Britain and Nigeria could be more open about their own vulnerabilities and the extent to which their public and private institutions are still complicit in financial crime.

Among some British officials, there seems to be an attitude towards Nigeria that is at best wishful thinking and at worst disingenuousness. One described the 2003 elections that returned Mr Obasanjo for another term in office as 'very clean', even though there was copious testimony about corruption, intimidation and ballot fraud. Such comments not only reinforce suspicions that Britain has a political agenda to cultivate good relations with the Obasanjo government: they also discredit London, because they contradict what Nigerians see on the ground. Rightly or wrongly, many Nigerians see this glossing over of problems as a political act, linked to their country's oil exporter status and Britain's desire to be seen to be promoting progress in Africa.

What both Britain and Nigeria can exploit practically is the undoubted willingness for cooperation that exists among some officials, such as those in law enforcement authorities, the land registries and other areas. These relationships, if handled carefully and made more publicly accountable, will offer the best chances of navigating difficulties, stopping certain types of crime and prosecuting individuals. The big challenge is to make these links broader and more institutionalized – and less reliant on a handful of personalities who can use the situation for political ends.

RECOMMENDATIONS

Suggested actions for the British authorities to take

Fraud

1. Britain could establish a mechanism for coordinating reports of Nigeria-related fraud in Britain, perhaps through the central fraud investigatory body proposed under the government's ongoing review. The figures could be published, along with typologies of the most common and latest scams.
2. Drawing on intelligence from the law enforcement authorities and the private sector, the FSA could produce and publicize a document that shows the extent of Nigeria-related financial crime in Britain, in terms of both fraud and money-laundering.
3. The British police and other authorities could revise their published material on Nigerian financial crime to show it is much bigger, more diverse and more sophisticated than simple e-mail frauds.
4. British law enforcement authorities and banks could talk to their US counterparts to see whether they are prepared to pay something towards policing Nigeria-related fraud in Britain, given how significantly US citizens are affected.
5. British investigators and banks could work more closely together, especially when the police are drafting applications for court orders to make banks disclose customer information and transaction details. This ought to allow the banks to search more efficiently and the police to obtain the information they want more quickly.
6. Since, for various reasons, police are reluctant to pursue fraud cases against Nigerian scamsters, they could concentrate on recovering as many of the proceeds of the crimes as possible. Some of these assets could be redirected towards fighting Nigeria-related crime, either in Britain or in Nigeria.
7. One lawyer has suggested the London authorities could set up a team of investigators who are Nigerian or of Nigerian descent. If they are highly qualified and understand how both countries work, they may be able to infiltrate criminal networks and use contacts in Nigeria who can give them leads. The idea could prove attractive to many professional Nigerians who are eager to improve the country's image and do their bit to help clean it up. It could also help the British authorities reach a better understanding of the background to cases in which Nigerian authorities are accused of pursuing public officials for political reasons.
8. The British Customs and police could work out an arrangement to make it easier to intercept packages from Nigeria containing stolen cheques, perhaps by extending Customs' mandate to allow it to do so. The British authorities could make it a priority to prosecute at least a couple of the biggest cases of mail-related fraud and publicize the fact that they are doing so.
9. Britain could invest further to improve its visa issue system in Nigeria. Britain could consider offering an amnesty to allow Nigerians who have broken their visa conditions to leave the country without punishment.

Money-laundering

1. The Serious Organized Crime Agency could, as a high priority, ensure it makes clear to banks how the new suspicious transaction reporting regime should work. Once it has done a preliminary analysis of the suspicious transaction reports, Soca could share the information as widely as possible, highlighting the involvement of Nigerian officials or business people.

2. The Treasury could clarify as soon as possible with banks how it intends the reporting of transactions related to politically exposed persons to operate. This could be left to banks' judgment as much as possible, with a clear warning that failure to gather proper intelligence when deciding on risks will lead to censure and penalties.

Corruption

1. It is important to the credibility of Britain's anti-corruption policies that it launches successful action soon against a British company or individual in Nigeria. The British authorities could consider whether, given the difficulty of prosecuting overseas cases of corruption, a limited system of US-type plea-bargaining could be introduced. In other words, companies and individuals would voluntarily admit their involvement in corruption, in exchange for reduced penalties. This would have the advantage of publicizing cases and showing the extent and typologies of corruption overseas. British officials working in Nigeria could be asked to report evidence of possible corruption they come across.
2. The government should consider introducing tighter corruption legislation, closing previous loopholes, as soon as possible. The British parliamentary groups on Africa and Nigeria could put on pressure to make sure this is achieved.
3. Britain needs to be much tougher on Nigerian officials it suspects of corruption, even if it is unable to take legal action against them. Travel bans on senior officials are a good way of doing this, as they send out a public signal that can be used by the media to raise suspicions about otherwise untouchable public figures. A precedent has been set in Kenya, with the travel ban imposed in 2005 on Chris Murungaru, the transport minister.¹²¹
4. The lack of a requirement in the UK for the beneficial owners of property to be registered is a great impediment to the investigation of corruption. This is clearly a law change that has a much wider scope than this work, but it would be likely to help greatly in pursuing Nigeria-related crimes.
5. Similarly, the practice of allowing companies to be owned by other companies or nominee directors is an unacceptable money-laundering risk, whether applied to Nigeria or other countries. It seems a minimal requirement of a quality financial system that beneficial owners are made obvious to banks when they are asked to set up accounts on behalf of companies.
6. Britain could establish mechanisms for greater cooperation with other rich nations, such as France and the US, where corrupt Nigerian officials have salted away money.

Suggested further British–Nigerian cooperation

1. British law enforcement agencies and the Financial Services Authority could establish links with their Nigerian counterparts to improve the practicalities of cooperation in fraud and corruption cases. In particular, they could work to ensure officials from both countries obtain evidence that can be used in each other's courts.
2. The FSA and Nigerian authorities, including but not limited to the EFCC, could establish a formal agreement and mechanism to share intelligence on fraud and money-laundering.
3. Britain could consider working with the Nigerian Code of Conduct Bureau to help improve scrutiny of public-sector corruption, as a complement to the work already going on with the EFCC and the land registry.
4. The British authorities could consider setting up a joint project between Companies House and Nigeria's Corporate Affairs Commission, just as the two countries' land registries already work together.

5. The British government and police could review whether some of the resources they are putting into the EFCC would be better employed on the Special Fraud Unit of the regular police.
6. The British authorities could study carefully the work of the Nigerian Extractive Industries Transparency Initiative to see if it offers potential leads for investigating corruption involving British citizens or companies. The British authorities could consider establishing an information-sharing arrangement with Hart Group, the auditor, via the Nigerian government.
7. The Nigerian and British authorities could consider jointly funding a piece of work on oil theft. This could be published and backed at the highest political level in both countries, as oil theft costs both the Nigerian state and Royal Dutch/Shell, an Anglo-Dutch company.
8. Britain and Nigeria could jointly pay for and cooperate with an independent report on the Abacha case and its international dimensions. The case is so big, and has been such a key cause of problems in British–Nigerian relations, that a full account of what went on would help bilateral links as well as being in the public interest. Publishing the report would also demonstrate goodwill on the part of both governments and a willingness to accept reasonable criticisms of their own behaviour. Separately, the UK could review its performance on the Abacha case to see whether there is any way it can offer further help to the Nigerian authorities’ attempts to repatriate the stolen money.
9. The Metropolitan Police and other British authorities could expand their range of contacts in Nigeria by meeting MPs and others whose function is to hold the executive to account. By doing this, the British authorities will behave more transparently, reduce the risk of political manipulation and increase the chances that pressure will be brought to bear on the presidency in cases in which it is reluctant to act for whatever reason. Where possible, the Met and other authorities could share their correspondence with Nigerian authorities as widely as possible.
10. The British and Nigerian authorities could work together to compile a comprehensive list of senior Nigerian officials’ properties in Britain. This would show up suspicious patterns. Mere publication of the list in Nigeria would both encourage people to investigate and ask questions, and have a deterrent effect. The list could be published alongside the Code of Conduct Bureau list and be checked against it, immediately showing up where prosecutions would be possible for failing to disclose assets. It could be made clear that the exercise covers everybody, to make it harder for the EFCC or any authority to publish a partial list, damaging those out of favour with the executive while protecting its allies.
11. The British government, and other Western authorities, should not stifle criticism of the EFCC and other supposedly progressive institutions on the grounds that they are potentially politically vulnerable. Whatever people think of the individuals leading them now, institutions must be able to outlive them. Western authorities should work closely with the EFCC to ensure that big items bought with donor money are needed, will be used and can be maintained properly.

Suggested actions for the Nigerian authorities to take

1. The authorities could aim to simplify their suspicious transaction reports system and reduce the number of reports submitted. The authorities should consider discussing with the Financial Action Task Force the possibility of adopting a more risk-based system, based on the judgment of bankers rather than the size of the transaction. The performance of banks on money-laundering should be carefully reviewed, with penalties and bad publicity for those found to be deficient.

2. Now that the case of Tafa Balogun, the former police chief, has been completed, the Nigerian authorities could publish a full account of the case, including all details of whom he obtained his money from and to whom he paid it.
3. The Nigerian immigration service could greatly increase the publication of information about false and stolen passports. It could liaise with the British authorities and airlines operating out of Nigeria to make this information as widely known as possible. The EFCC could concentrate its attention on finding the powerful people who control and finance the passport forgery operations rather than punishing the underlings who do the work.
4. The Nigerian constitutional clause offering senior officials immunity from prosecution should be abolished as soon as possible.
5. Nigeria's land use act urgently needs to be reviewed. This would help not just for reasons of social justice, but also in terms of establishing clear, documentable ownership of a kind that can be used in court and investigations. So much crime is possible in Nigeria because the transactions are simply not properly written down. Nigeria should remove the governors' power of political patronage in the land allocation process.
6. The government could greatly increase the amount of information made available to the public to help NGOs and the media investigate financial crime. Many legitimate enquiries are stymied because information is not made available, or made available only partially. This applies even to ministries that are supposedly in favour of increased openness and accountability. There are exceptions, but they are piecemeal and often depend on the goodwill of individual officials rather than being systematic. Steps the government could take include making public the Corporate Affairs Commission records, the Land Registry records and the Code of Conduct Bureau records. This would play a role in drawing the attention of both the Nigerian and the British authorities to crimes that may have been committed, as well as acting as a deterrent.
7. The Nigerian Code of Conduct Bureau could be greatly strengthened. The bureau and its sister tribunal need many more successful prosecutions to show they are credible bodies. Public officials who run businesses in contravention of the law should be prosecuted and punished.
8. The Nigerian government should ensure laws are updated to make digital evidence and non-traditional paper evidence, such as faxes, admissible in court.

The private sector

1. Banks could continue to increase efforts through trade authorities to share information about types of fraud and generic vulnerabilities in the financial system.
2. Banks could share intelligence on the origin of fraudulent cheques, to see whether a high concentration of them do indeed originate from Nigeria or people of Nigerian descent in Britain.
3. Similarly, banks could investigate and share information as to whether Nigeria-related trade is responsible for large amounts of so-called bad debt. Banks could check particularly whether there are patterns in, say, the targeting of specific institutions, types of account or geographical areas.
4. Banks could end the practice of revoking cheques after the clearing period has expired.
5. Nigerian banks and Western Union could review their arrangements for wire transfers of money to the country. Information-sharing between banks on fraud risks could be increased. Money senders could be offered the extra safeguard of leaving contact details to allow the Western Union outlet in Nigeria to get in touch if their suspicions are aroused. Banks could consider offering incentives to employees who spot frauds.

6. Western Union counters in Nigeria could introduce tighter procedures of customer identification, perhaps requiring people collecting money to show the new national identity card.
7. Courier companies need to tighten checks on their outgoing mail. They should work with the EFCC to achieve this. Other Nigerian institutions, particularly the National Drugs and Law Enforcement Authority, should stay away from courier company premises unless they have a specific justification for being there.

Notes

- ¹ Speech in Abuja, 14 February 2006. See www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029391647&a=KArticle&aid=1138872197692.
- ² news.bbc.co.uk/1/hi/uk/4941132.stm.
- ³ The research for all the unattributable interviews referred to in this paper were conducted face to face and over the telephone, mainly between 1 September 2005 and 30 April 2006. The main research in Nigeria was conducted between 2 October 2005 and 30 November 2005.
- ⁴ www.bloomberg.com/apps/news?pid=10000102&sid=ajDTIoJby8dw&refer=uk.
- ⁵ Interview with Mandie Campbell, head of UK Visas, a joint Home Office and Foreign Office agency.
- ⁶ www.royalafricansociety.org/reports_publications/reports_aappg/corruption_report.
- ⁷ FSA press release, 8 March 2001.
- ⁸ E-mail from EFCC, 28 April 2006.
- ⁹ Interview with Olaolu Adegbite, head of advance fee fraud unit, Economic and Financial Crimes Commission.
- ¹⁰ www.unodc.org/pdf/transnational_crime_west-africa-05.pdf.
- ¹¹ Extract from Okey Ndibe's forthcoming novel, *Foreign Gods, Inc*. See www.guernicamag.com/fiction/18/from_foreign_gods_inc/.
- ¹² See www.haverford.edu/pols/faculty/glickman/Articles/CJAS_Text_final_1-35.pdf.
- ¹³ See devdata.worldbank.org/external/CPProfile.asp?CCODE=NGA&PTYPE=CP.
- ¹⁴ Obafemi Awolowo, *Path to Nigerian Freedom*, 1947.
- ¹⁵ See, for example, the Central Bank of Nigeria's historical statistical review at www.cenbank.org/out/publications/statbulletin/rd/2005/major%20indicator%20final.pdf.
- ¹⁶ See www.clubdeparis.org/en/news/page_detail_news.php?FICHIER=com11297988840.
- ¹⁷ See www.cenbank.org/out/publications/statbulletin/rd/2005/major%20indicator%20final.pdf.
- ¹⁸ Speech in Abuja, 14 February 2006. See note 1 above.
- ¹⁹ See www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029393465.
- ²⁰ E-mail from Home Office, 2 May 2006.
- ²¹ For a flavour of the debate on British policy on Nigeria, see www.nigeriavillagesquare.com/content/view/2883/55/.
- ²² www.total-biz-talkers.com/detail-666577.html.
- ²³ See www.haverford.edu/pols/faculty/glickman/Articles/CJAS_Text_final_1-35.pdf.
- ²⁴ www.met.police.uk/fraudalert/section/419how_fraud.htm.
- ²⁵ www.guardian.co.uk/international/story/0,,1533939,00.html.
- ²⁶ www.cifas.org.uk/identity_fraud_how_fraudsters_work.asp.
- ²⁷ www.ncis.gov.uk/ukta/2004/UKTA_2004-05_2005-06.pdf.
- ²⁸ Interview with Olaolu Adegbite, head of the commission's advance fee fraud unit.
- ²⁹ www.ic3.gov/media/annualreport/2004_IC3Report.pdf.
- ³⁰ www.ultrascan.nl/html/aff_37_countries.html.
- ³¹ www.fbi.gov/hq/cid/orgcrime/aace/african crim.htm.
- ³² Ibid.
- ³³ Interview between SFO official and the author.
- ³⁴ www.met.police.uk/fraudalert/section/419how_fraud.htm.
- ³⁵ *Financial Times*, 3 March 2003.
- ³⁶ www.itu.int/osg/spu/cybersecurity/presentations/session16_udotai.pdf.
- ³⁷ www.ultrascan.nl/html/419_statistics.html.
- ³⁸ home.rica.net/alphae/419coal/419Stats2005PR.htm.
- ³⁹ Interview with Olaolu Adegbite, head of advance fee fraud unit, EFCC.
- ⁴⁰ Author interview with official present that day.
- ⁴¹ Interview with Ibrahim Lamorde, EFCC operations director.
- ⁴² Author interview with DS Mick Egan, Dedicated Cheque and Plastic Crime Unit.
- ⁴³ All figures from the Dedicated Cheque and Plastic Crime Unit.
- ⁴⁴ Information supplied by HM Revenue & Customs.
- ⁴⁵ All figures from the Dedicated Cheque and Plastic Crime Unit.
- ⁴⁶ Ibid.
- ⁴⁷ Interview with Olaolu Adegbite, head of the advance fee fraud unit, EFCC.
- ⁴⁸ Cited by Metropolitan Police officers interviewed by the author.
- ⁴⁹ Author interview with APACS.
- ⁵⁰ Author interview with DS Mick Egan, Dedicated Cheque and Plastic Crime Unit.

- 51 Interview with Olaolu Adegbite, head of the advance fee fraud unit, EFCC.
- 52 Author interview with DS Mick Egan, Dedicated Cheque and Plastic Crime Unit.
- 53 Ibid.
- 54 Interview with Mandie Campbell, head of UK Visas (see note 4 above).
- 55 Ibid.
- 56 Ibid.
- 57 E-mail from Home Office, 2 May 2006.
- 58 Details regarding reform of the British visa system in Nigeria taken from interview with Mandie Campbell, head of UK Visas.
- 59 See www.immigration.gov.ng.
- 60 E-mail from Home Office, 2 May 2006.
- 61 E-mail from Home Office, 2 May 2006.
- 62 Nigerian presidency press release.
- 63 See Nigerian Federal Ministry of Finance figures at www.fmf.gov.ng/detail.php?link=faac.
- 64 See www.efccnigeria.org/index.php?option=com_content&task=view&id=664&Itemid=2.
- 65 Interview with Peter Kiernan, then deputy director of the Serious Fraud Office.
- 66 E-mail from Soca, 13 April 2006.
- 67 E-mail from the Department for Work and Pensions, 10 April 2006.
- 68 Interview with Peter Kiernan, then deputy director of the Serious Fraud Office.
- 69 Fraud Review Team interim report, March 2006, p. 25. See www.islo.gov.uk/pdf/Interim_Fraud_Report_03_06.pdf.
- 70 www.apacs.org.uk/media_centre/press/06_03_07.html; APACS figures.
- 71 Author interviews with police officers.
- 72 Author interview with Philip Robinson, Financial Crime sector leader, FSA.
- 73 Speech by Philip Robinson to British Bankers' Association Financial Crime Conference. See www.fsa.gov.uk/pages/Library/Communication/Speeches/2005/1206_pr.shtml.
- 74 Author interview with Philip Robinson.
- 75 FSA press release, 8 March 2001.
- 76 FSA statement to the author.
- 77 Speech by Philip Robinson to British Bankers' Association Financial Crime Conference. See note 74 above.
- 78 See www.commissionforafrica.org/english/report/thereport/english/11-03-05_cr_chapter_4.pdf.
- 79 See www.royalafricansociety.org/reports_publications/reports_aappg/corruption_report.
- 80 www.oecd.org/dataoecd/62/32/34599062.pdf.
- 81 www.sfo.gov.uk/publications/2005_2006/sectionone_03.asp.
- 82 Cited in www.royalafricansociety.org/reports_publications/reports_aappg/corruption_report.
- 83 See www.homeoffice.gov.uk/documents/2005-cons-bribery?view=Binary.
- 84 Interview with Olaolu Adegbite, head of the advance fee fraud unit, EFCC.
- 85 See UK Law Enforcement Agency Use and Management of Suspicious Activity Reports: Towards Determining the Value of the Regime, Matthew H Fleming, Jill Dando Institute of Crime Science, June 2005. www.jdi.ucl.ac.uk/downloads/publications/research_reports/Fleming_LEA_Use_and_Mgmt_of_SARs_June2005.pdf. For 2005's total of suspicious activity reports, see www.soca.gov.uk/financialIntel/index.html.
- 86 Author interview with Philip Robinson, Financial Crime sector leader, FSA.
- 87 Fraud Review Team interim report, March 2006. See www.islo.gov.uk/pdf/Interim_Fraud_Report_03_06.pdf.
- 88 Author interview with Philip Robinson, Financial Crime sector leader, FSA.
- 89 Ibid.
- 90 E-mail from Treasury, 28 April 2006.
- 91 Ibid.
- 92 Ibid.
- 93 Interview with Peter Kiernan, then deputy director of the Serious Fraud Office.
- 94 www.cenbank.org/OUT/SPEECHES/2004/Govadd-6Jul.pdf.
- 95 Information supplied by HM Revenue & Customs.
- 96 See Nigerian Federal Ministry of Finance figures at www.fmf.gov.ng/detail.php?link=faac.
- 97 Available from House of Assembly, Rivers State.
- 98 The initiative's website is at www.neiti.org/.
- 99 Comments made at roundtable on corruption organized by Christian Aid, London, 3 April 2006.
- 100 See, for example, www.nigeriavillagesquare.com/content/view/1804/55/.
- 101 www.transparency.ca/Reports/CPI%202005%20PressKITfinal111005.pdf#search=%22%22transparency%20international%22%20%22perceptions%20of%20corruption%22%22.

- ¹⁰² www.imf.org/external/pubs/ft/scr/2006/cr06180.pdf.
- ¹⁰³ According to an e-mail of 13 April 2006 from the Land Registry. In terms of title, the registry estimates that about 20 million out of a total of 23–24 million are covered.
- ¹⁰⁴ www.cenbank.org/OUT/PUBLICATIONS/BSO/2006/BANKS%20WITH%2025%20BILLION.PDF.
- ¹⁰⁵ www.cenbank.org/OUT/SPEECHES/2004/Govadd-6Jul.pdf.
- ¹⁰⁶ www.fatf-gafi.org/dataoecd/41/26/34988035.pdf.
- ¹⁰⁷ www.fatf-gafi.org/dataoecd/13/54/36995060.pdf.
- ¹⁰⁸ www.cenbank.org/OUT/CIRCULARS/OFID/2005/OFID-03-2006.PDF.
- ¹⁰⁹ See www.delnga.cec.eu.int/projects/operations2_project%20sheets/main_projects/PROJECT%20SHEET%20-%20EFCC.pdf.
- ¹¹⁰ EFCC laws.
- ¹¹¹ E-mail from EFCC, 28 April 2006.
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- ¹¹³ Interview with Olaolu Adegbite, head of the advance fee fraud unit, EFCC.
- ¹¹⁴ E-mail from EFCC, 27 April 2006.
- ¹¹⁵ www.usps.com/websites/depart/inspect/pressrel.htm.
- ¹¹⁶ www.usps.com/websites/depart/inspect/nigcgang.pdf.
- ¹¹⁷ www.ftc.gov/bcp/online/pubs/alerts/nigeralt.htm.
- ¹¹⁸ www.fbi.gov/hq/cid/orgcrime/aace/afrworkgrp.htm.
- ¹¹⁹ Thomas Frank, *What's the Matter with America?*, Vintage, 2006.
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- ¹²¹ See news.bbc.co.uk/1/hi/world/africa/4723757.stm.

