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Legal Regulatory Aspects of Money Laundering in the UK

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This article critically examines the legal and regulatory framework governing money laundering in the United Kingdom, with particular emphasis on the practical challenges faced in combating financial crimes at both domestic and international levels. It analyses the various techniques employed in money laundering, including smurfing, shell companies, hawala transactions, cryptocurrency-based laundering, and gambling-related offences. The paper further evaluates the role of major regulatory bodies such as the Financial Action Task Force (FATF), Anti-Money Laundering (AML) regime, Financial Conduct Authority (FCA), National Crime Agency (NCA), and the Proceeds of Crime Act 2002 (POCA) in preventing and detecting illicit financial activities. Additionally, the study highlights the limitations of fragmented international legal enforcement, soft-law mechanisms, and inadequate compliance structures within financial and legal institutions. The article concludes by suggesting stronger international cooperation, enhanced regulatory compliance, and comprehensive AML training as essential measures for effectively addressing the growing global threat of money laundering.

Keywords: PMLA, money laundering, crime, financial regulation.

INTRODUCTION

Money laundering can be defined as a financial crime or fraud where money is laundered from different activities which are illicit in nature and appear to derive from a legitimate

source. Criminal activities for money laundering are almost similar all over the world.¹ There are two significant parts in laundering money, namely they are:

- The process of laundering money is on its own.
- A level of suspicion, a query or a degree of information relating to client intelligence leading to the source and funds of the client involved in laundering money.²

However, there are different tactics to money laundering leading to some practical problems, which this essay shall discuss. Financial Action Task Force (FATF) and the Anti-Money Laundering (AML) Regime are responsible largely for regulating money laundering at an international level, globally. Money laundering is a global problem prevalent in every country of the world and is not restricted to anywhere, any country or any jurisdiction. Although largely the problems of money laundering cases in the UK would be focused on in this essay. The essay shall also suggest how to overcome these problems along with the UK specific legislations, which does provide support to the system, and shall also discuss how effective they really are in anti-money laundering and prevention of money laundering. Furthermore, this essay shall critique the practical problems in International law enforcement for money laundering. The legal aspects of money laundering in the UK shall also be focused upon and critiqued in this essay. Finally, to conclude this essay, the suggestive provisions and methods for overcoming the problems of money laundering would be analysed and suggested remedies with some relevance would be cited for anti-money laundering, largely with a focus on the UK.

DIFFERENT TACTICS IN MONEY LAUNDERING

The work of laundering money includes different techniques and tactics which does lead to the commission of the crime. Money laundering can involve various activities of business connections, for example, banking, fiduciary and investment management. Sometimes the requirement is the understanding of suspicious activities, depending on the specific offences. The commonest form of money dealing or engaging with benefits that leads to form a criminal conduct. It can occur in a diverse number of ways. Money laundering arguably can

¹ 'Anti Money Laundering' (ICA) <<https://www.int-comp.org/learn-and-develop/subject-areas/anti-money-laundering/>> accessed 20 March 2026

² 'DIRTY CASH What is money laundering?' *The Sun* (07 October 2021)

<<https://www.thesun.co.uk/news/7347955/money-laundering-what-is-natwest/>> accessed 20 March 2026

be treated as a process whereby criminals, corporations and individuals attempt to hide and disguise the true origin and ownership of the proceeds of their miscreant activities. Money laundering fundamentally takes place in three simple steps, namely:

- **Placement:** This involves positioning unlawful cash proceeds with banks and other financial institutions through financial instruments.
- **Layering:** It is the process of covering illegal activities in other forms and creating complex layers of financial transactions.
- **Integration:** This is to provide a seemingly false legal explanation for the placed and layered financial assets.

Tactics generally vary in the case of money laundering, but there are various kinds of ways involved in money laundering. It all generally depends on the type and location where the acquisitive crime was committed. However, the points to be considered are the structure and level of organisation of the criminal syndicate.³ There is a significant amount of fear and intimidation that a criminal enterprise can generate. This also involves the people being dealt with, namely, the educational, professional, and business background of the criminal; the access to technology also matters to a certain extent. There is an inherent factor in making the tactics of money laundering work successfully through paying financial experts to develop and implement money laundering schemes. The most prevalent technique for laundering money is by smurfing. Smurfing does involve the avoidance of declaration and scrutiny from government agencies. However, there is a difference between declaring an income accurately. Transactions are done at a very small amount so that they are not noticed easily as fraud; however, repeated multiple times and with multiple victims, this makes it really difficult to detect the fraud and the culprit.⁴ According to the UK legislation of Income Tax 2007, tax evasion is considered to be illegal for individuals, business corporations and trusts. In contrast, tax avoidance is the legal use of tax laws to reduce the tax burden.⁵ There is a region-specific cultural way of money laundering, which is mainly popular in countries such

³ 'Organised crime chronic and corrosive to the UK - National Crime Agency' *BBC* (12 May 2019) <<https://www.bbc.co.uk/news/uk-48242157>> accessed 20 March 2026

⁴ 'What Methods Are Used To Launder Money?' (*Investopedia*, 14 January 2026) <<https://www.investopedia.com/ask/answers/022015/what-methods-are-used-launder-money.asp>> accessed 20 March 2026

⁵ 'Income Tax Rates and Personal Allowances' (*GOV.UK*) <<https://www.gov.uk/income-tax-rates>> accessed 20 March 2026

as South Asia, namely India and China. Example – Hawala and Informal Fund Transfer with no tracking or tracing of money left from the source of generation.⁶ This, however, is not a major concern, as generally the financial funds are not that large and the people involved are petty fraudsters. The more complicated version is when front and shell companies have more complex layers of transferring money through wire transfers and the press of a button, when mostly the things seem legitimate. Teichmann’s research work states twelve practical methods of laundering money. In Teichmann’s findings of empirical research, it critiques and states that almost every major sector and industry of society was popular in contributing to money laundering. It is generally observed as a fact that money launderers generally avoid large amounts of transactions, which helps to avoid economic sectors covered by Anti-Money Laundering laws and that also attract notice from transaction analytics.⁷ It should be pointed out that jurisdiction plays a major role in money laundering. The most common practice is not to disclose the real owner by employing substitutes, namely, nominee directors, and by building networks of offshore companies in different places around the world to launder money. Sometimes, the existing companies are used to hide monetary benefits. Nowadays, it’s a digital fortress, and money laundering has become more rampant with the advent of bitcoins, cryptocurrency, all of which is an accepted mode of payment largely managed by computers. So, evidently, the generation and source is really complicated and hard to trace and maintain a record or a financial statement. There are mandatory roles which are conventional in nature of corrupt compliance officers in banks with detailed, misleading contracts and competent expert advisors.⁸ According to prosecutions from banks and public officials, risk management in business is used for the punishment of fraudulent activities.⁹ Gold is a common nomenclature of money laundering because gold can be purchased from private collectors, melted and stored as a deposit in Switzerland, free of charge. It’s really amazing how the process works for money launderers in the case of gold; that is, it is sold when the price of gold increases in the market to make a profit. The Gambling Commission of the UK is responsible for licensing and regulating the people and businesses that provide gambling in Great Britain, including all forms of lotteries, to avoid money laundering. In the

⁶ THE ROLE OF HAWALA AND OTHER SIMILAR SERVICE PROVIDERS IN MONEY LAUNDERING AND TERRORIST FINANCING (FATF 2013)

⁷ Fabian Maximilian Johannes Teichmann, ‘Twelve Methods Of Money Laundering’ (2017) 20(2) Journal of Money Laundering Control <<https://doi.org/10.1108/JMLC-05-2016-0018>> accessed 20 March 2026

⁸ Matthew Hollow, *Rogue Banking: A History of Financial Fraud in Interwar Britain* (Palgrave Pivot 2014) 68-72

⁹ Donato Masciandaro et al., *Black Finance: The Economics of Money Laundering* (Edward Elgar Publishing 2007) 204-206

gambling businesses, there needs to be certain standards of personal licenses and fair practice to conduct 'responsible gambling'.¹⁰ The UK government's National Risk Assessment of Money Laundering and Terrorist Financing 2017 states that money launderers use their opportunities due to the poor regulatory standards of the money laundering legislation. Mainly, the problem arises from anonymous non-online betting as a way for people to launder money and commit crimes. There is, however, an estimated potential risk from criminals having authority for licensed gambling activities, for the pivotal idea of money laundering, some preventive measures in ensuring safe gambling are taken along with POCA 2002, developing systems that reduce money laundering and keeping transaction records of customers. Terrorist financing is a mechanism to launder money to terrorist countries or non-state actors that provide for violence and combat. These activities for laundering money are not only potentially dangerous but also harmful to humanity. The serious problem in tactics of laundering money is that it is not foolproof, and some mechanisms are recognised by the Anti-Money Laundering regime (AML) and other money laundering controlling regulatory bodies, such as FATF, FCA, NCA, POCA and to some extent SRA.¹¹ National Criminal Intelligence Services have an integrated role in the system, which involves purchasing of property, investment in front companies that have high levels of conspicuous consumption and moving large amounts of cash to foreign jurisdictions, which are some of the best known prevalent tactics in money laundering.¹²

PRACTICAL PROBLEMS IN INTERNATIONAL LAW ENFORCEMENT FOR MONEY LAUNDERING

Legislation is treated as 'Hard Law' as it is mostly authoritative. This means there are accepted procedures that provide concrete prescriptions and have a hard level of enforcement in society. Soft law, however, lacks these traits. International law is made up of treaties and soft law.¹³ Although it is hardly adopted in accordance with the sanctity of

¹⁰ Pat Sweet, 'Gambling Commission gets tough on money laundering' (*Business & Accountancy Daily*, 29 November 2018) <<https://www.accountancydaily.co/gambling-commission-gets-tough-money-laundering>> accessed 20 March 2026

¹¹ 'UK Defenses Against Money Launderers Effective: FATF' (ACAMS, 19 October 2018) <<https://www.acams.org/en/news/uk-defenses-against-money-launderers-overwhelmingly-effective-fatf>> accessed 20 March 2026

¹² The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

¹³ Alan E Boyle and Christine Chinkin, *The Making of International Law* (OUP 2007)

theory, it is enforceable through various means. Treaties are rarely integrated into International Financial Regulations and have no proper rules. In a general sense, international efforts are made to prevent money laundering through AML and other regulatory bodies.¹⁴ However, the process of money laundering is generally fragmented. The problem lies with domestic crime legislation, which lacks procedural rules to recognise and arguably enforce the law at the state level. Soft law encourages uniformity of International AML standards through the Financial Action Task Force, while the role of FATF remains unclear in International Law. This falls heavily on the laws of the state, a responsibility that the state is responsible for, and it holds in the case of breach and the consequence in International Law. Large-scale money laundering is an international problem. There needs to be co-operation, which is a critical requirement to combat money laundering. There are some steps taken to deal with money laundering at an international level. The United Nations, Bank for International Settlements have regulated money laundering in the world to a certain extent.¹⁵ International AML formed a strategy based on legal procedures and a formal treaty which represses the international crime of money laundering in financial and non-financial institutions. The preventive measures of AMLC are referred to as a twin-track approach to AMLC.¹⁶ The legal nature of soft law lacks authority and equality in terms of treaties. There is a nature of ambiguity which does make the strength of hard law weak. Such a treaty may be potentially normative, but still soft in character because it articulates principles rather than rules. AML law primarily has two choices: either to treat money laundering as sui-generis or to approach it from within one of the areas of the law that it touches upon.¹⁷ AML does fall short in the permit of a twin-track approach, deterring money laundering from prevailing in the 'legal economy'. AML's twin-track approach does control certain measures to favourable beneficial ownership of the object of crime. There is an international collaborative measure to identify the subject of the crime and the benefit of the crime. To deal with the practical problems in International Law for laundering money, recognising the role of soft law in the decision-making process forms a quasi-legal technical

¹⁴ Robert S Rendell, *International Financial Law* (Euromoney 1980)

¹⁵ 'United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism' (U.S. Department of State) <<https://2009-2017.state.gov/j/inl/rls/nrcrpt/2016/vol2/253363.htm>> accessed 20 March 2026

¹⁶ *Anti-Money Laundering Annual Report 2015/16* (Financial Conduct Authority 2017)

¹⁷ 'Where The UK Fails On Anti-Money Laundering' PYMNTS (15 March 2019) <<https://www.pymnts.com/aml/2019/corruption-watch-uk-high-end-money-laundering/>> accessed 20 March 2026

policy agreement that prescribes the behaviour of states, bureaucracies and private actors, but it is not strictly binding, unfortunately. Treaties and customs must get proper recognition in order to address money laundering in an international forum.

LEGAL REGULATORY ASPECTS OF MONEY LAUNDERING IN THE UK

In the history of Great Britain, money laundering has been an existent persistent problem for almost every generation. With nearly trillions of pounds being laundered in from banks, sometimes even legally. This process is sometimes even carried out through assets and properties. In the UK, money laundering is defined in the Proceeds of Crime Act 2002 (POCA)¹⁸ and includes all forms of handling or possessing criminal property, including possessing the proceeds of one's own crime in the jurisdiction of the UK. According to POCA Part VII, the maximum sentence for laundering money is fourteen years in jail. However, there are some factors in the due regard of the deterrence, that is, the amount of money involved, which increases the seriousness of the crime committed. The more the money, the greater the offence. The UK HM Customs and Excise estimates of money laundering in the UK fall within the IMF. It estimates of 2 to 5 percent of GDP of the value and extent of money laundering in the UK. Through these estimates, laundering accounts for anywhere between 0.29 and 15 per cent of the UK's GDP.¹⁹ Now it could be fairly argued whether laundered money could help in a financial crisis and economic meltdowns. Although it's not known for sure, it was specifically known from the collapse of 'The Lehman Brothers' in 2008, which did cause a recession and had a huge global impact on the economy, not only limited to the UK. To critique the socio-economic condition of Britain, there was an upsurge in all prices for all living commodities and sustenance of livelihood. Trade and businesses suffered a great loss too. However, the question remains whether laundered money could have stabilised the situation, as money is supposed to be kept rolling. Maybe this could be the only potential silver lining in the advent of money laundering.²⁰ In the UK, litigations cost managements of corporations a lot of time as well as direct financial costs to defend

¹⁸ Proceeds of Crimes Act 2002

¹⁹ 'THE UK'S ANTI-MONEY LAUNDERING LEGISLATION AND THE DATA PROTECTION ACT 1998' (GOV.UK, April 2002)
<https://assets.publishing.service.gov.uk/media/5a7ca3e140f0b6629523ad9a/money_laundering_1_.pdf>
accessed 20 March 2026

²⁰ Petter Gottschalk, 'Executive positions involved in white-collar crime' (2011) 14(4) Journal of Money Laundering Control <<https://www.emerald.com/jmlc/article-abstract/14/4/300/234813/Executive-positions-involved-in-white-collar-crime?redirectedFrom=fulltext>> accessed 20 March 2026

themselves against the claims and proceed towards adjudication. POCA cooperates with the UK Financial Intelligence Unit, which is a part of the NCA, about any suspicion relating to criminal property or money laundering. Any suspicious activity should be reported to NCA through their trade businesses and individual professions. Britain also had witnessed its fair share of corporate criminality and financial skulduggery. In the UK banking sector, 2-5 billion pounds of government assets were laundered through in the Sani-Abacha Case. In another case study, Standard Bank South Africa, a London branch bank, failed to comply with the AML Standards policies and procedures over corporate and private bank customers connected to politically exposed persons and hence got fined by the FCA. The question still remains whether the threat of financial fraud is greater than today. The UK government takes fraud very seriously and always tries to prevent fraudulent operations. FCA in the UK tries to curb money launderers from various suspicious activities, and the limitations to the approach are that there are only a few law enforcement resources devoted to the combat of money laundering. The other problem is that the legislation is largely fragmented. Training and getting evidence are very difficult as well. There are some regulatory risks which are involved, and the financial services institutions are supposed to face penalties if they are not updated and comply with the money laundering activity standards by AML. The penalties consist of removing certain government grants and benefits and a ban on certain operations of the firm for a defined period of time.²¹ The UK Government also supports the Payment System Regulators (PSR) to the industry, consumer groups and other regulatory government bodies to tackle Authorised Push Payment Scams, which mainly involve people duped into paying for online scams. The Banking Industry has also taken steps to prevent fraud, including the 'Banking Protocol'. Trust and integrity are the keys to success for any financial service or institution. Reputational Risks prevent business opportunities, for example, DSP Merrill Lynch, which was later acquired by the Bank of America after the height of the Financial Crisis of 2008.²² Money laundering should be treated with proper, comprehensive training for every organisation, large or small; only then can it be controlled. Spreading awareness and general concern about money is the main aim of AML. In the UK, the legal market is also responsible for attracting money launderers, as lawyers can make the

²¹ 'Money laundering and terrorist financing' (*Financial Conduct Authority*, 11 February 2026) <<https://www.fca.org.uk/firms/financial-crime/money-laundering-terrorist-financing>> accessed 20 March 2026

²² The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

laundered money legitimate in a legal way, which is sort of a white-collar crime. In the UK, SRA ensures good practice for lawyers and law firms. The government's National Risk Assessment views transactions for complex business trust fund structures. It does recognise that a few solicitors are knowingly involved in illegal activities to launder money. In the legal sector, NCA's guidance provides a defence against the money laundering regime, which is useful for improving the quality of SRA.²³ Affinity Groups also comply with all details for anti-money laundering in the UK.²⁴ Although money laundering is epidemic in the UK, the regulatory standards, training, and legislation have played an important role in ensuring good standards and reputation in the finance industry of the country.²⁵

CONCLUSION

Money laundering is a critical, evolving global problem. It does raise concern in an international forum and critiques the effectiveness of the preventive steps taken to prevent it. Regulatory bodies such as FCA, AML, POCA, NCA, FATFA and the SRA in the UK do apply a standard of checks to prevent money laundering, at some level.²⁶ But then again, the system is not foolproof, and the devil always lies in the details, and so does the solution. Money laundering does have significant implications for policymakers, regulators and evaluators. The totality of the conclusion is that cultural and religious differences impose a certain limit on the extent to which there can be a universal harmonisation of anti-money laundering regimes. To best achieve success in anti-money laundering globally, the international community must take such differences into account and maintain a global standard of awareness, knowledge and AML training in every sector of the industry and the society at large. The legislation should be more specific and binding in part of the domestic laws, as the state is responsible for its behaviour solely. The UK is adhering to all regulatory body standards along with its domestic laws for curtailing money laundering, spreading awareness and knowledge against money laundering, corporate fraud, scams, gambling and

²³ 'Money laundering' (*Solicitors Regulation Authority*)

<<https://www.sra.org.uk/solicitors/resources/topic/money-laundering/>> accessed 20 March 2026

²⁴ Daniel Gentzik, 'Laundering and Lawyers – The Payment of Legal Fees and Money-Laundering Offences in Germany and the UK' (2000) 4(1) *Journal of Money Laundering Control*

<<https://www.emerald.com/jmlc/article-abstract/4/1/78/232046/Laundering-and-Lawyers-The-Payment-of-Legal-Fees?redirectedFrom=fulltext>> accessed 20 March 2026

²⁵ 'Anti-money laundering' (*The Law Society*) <<https://www.lawsociety.org.uk/support-services/risk-compliance/anti-money-laundering/>> accessed 20 March 2026

²⁶ 'Anti money laundering' (*ICA*) <<https://www.int-comp.org/learn-and-develop/subject-areas/anti-money-laundering/>> accessed 20 March 2026

tax evasion. It should always be remembered that the ignorance of the law is not a valid excuse in the court of law regarding money laundering for any profession, individual, corporation, or trade relations in the UK and the world.