

## Business

# ‘We mustn’t drive foreign investors away’

The former chancellor tells **James Hurley** why turning our backs on countries whose values we don’t agree with is harming growth

George Osborne attracts criticism for the number of jobs he’s notched up after stepping down as chancellor, but his successor Philip Hammond has been giving him a run for his money.

The lengthy register of interests for Lord Hammond of Runnymede, who stepped down in 2019, records directorships and board roles in packaging, construction, cryptocurrency, fintech and IT security, partnerships at investment firms, person of significant control positions at nine companies, ten shareholdings and lucrative paid advisory roles for Kuwait, Saudi Arabia and Bahrain.

Asked whether work for autocratic regimes with poor human rights records is becoming of a former chancellor of the exchequer, Hammond, who was said to be one of the wealthiest cabinet ministers, says he has no compunction.

“If we didn’t work with countries whose human rights records were not as good as we would like, we wouldn’t work with very many people,” he tells *The Times*. “If change is heading in the right direction, which I’m absolutely clear it is in Saudi Arabia, then I think we should encourage that change.”

When asked for his view on Abu Dhabi-backed RedBird IMI’s takeover offer for Telegraph Media Group, Hammond, 68, says the UK’s anaemic growth requires us to be pragmatic.

“We don’t want UK media outlets to become mouthpieces for foreign governments. The issue is about distinguishing between undue foreign government influence and a perfectly legitimate commercial investment by a sovereign wealth fund.

“I think [what] people in this country have a bit of difficulty with, but have to get used to, is because we don’t save enough or we don’t invest enough, we will find that when assets become avail-



STEFAN ROUSSEAU/PA

**Philip Hammond as chancellor in 2018 and, below, as foreign secretary in 2016 with his Gulf counterparts**

last year revealed how research and development (R&D) tax credits, introduced two decades ago to encourage innovation by businesses via financial incentives, had fallen into disrepute. Problems range from attacks on the programme by organised criminals to rogue advisory firms encouraging dubious claims for everything from vegan menus to cocktail recipes to staff performance reviews.

When it took a closer look, HM Revenue & Customs found the problems were worse than feared: R&D tax credits, which cost about £7.6 billion last year, has one of the worst loss rates of any government spending programme, including emergency pandemic schemes. In the 2020-21 financial year an estimated £1.1 billion was lost to fraud and error.

While HMRC and government have spoken frankly about the problems over the last year or so, Hammond says that behind the scenes, the programme had already become a “No 1 fiscal concern” while he was chancellor.

Given substantive reforms have come after Hammond stepped down, did he do enough? While he was chancellor, claims were restricted in response to overseas organised criminals setting up bogus UK companies to steal public funds, he says: “We were certainly on it. It was a top of the HMRC agenda issue with me.”

More recent reforms, including a reduction in generosity and increased compliance checks, have prompted concerns that innovative businesses with genuine claims are being deterred from using the incentives and that companies will shift investment overseas or lose out to foreign rivals who can access more generous programmes in their country.

The Federation of Small Businesses and the BioIndustry Association are

among groups which have warned about the changes, with the latter calling them a “disaster”.

“This is probably the single biggest area in percentage terms of fraud and error in the tax system at the moment, so it’s completely appropriate that HMRC are focused on it,” Hammond says. An HMRC requirement to name advisers on claims will help to drive the cowboys out, he adds.

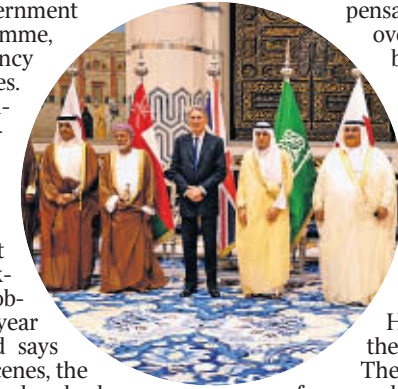
However, he shares concerns that legitimate claims could be deterred. “[If] competitors in France, Germany, Spain, Italy, are able to do more R&D, because they get more generous support, that in itself is a problem for the UK’s competitiveness.

“With all government bodies, there is a bit of a tendency to overcompensate, the pendulum over-swings, you get beaten up by the public accounts committee or the Treasury select committee. And then you get beaten up because you’re not delivering enough of the policy outcome, you swing back the other way. HMRC will get there in the end.”

There is an irony in a former chancellor joining an R&D tax credits adviser given HMRC’s concerns that parts of the advisory industry have driven problems with the scheme via what the tax authority has called “false promises of easy money”.

Hammond says RCK Partners is determined to drive up standards across the industry, however. An independent compliance function at the firm means “all claims are vetted for compliance independently from teams that are developing the claims”. He adds: “We’re talking to people in the industry about how we can try to ensure the highest standards and, frankly, isolate poor behaviour.”

Plus, he believes that encouraging legitimate claims will help the economy. “This isn’t a world where if people don’t claim what they’re entitled to, there’s a sort of wink wink, that’s a good outcome because we’ve spent less money. That’s a bad outcome.”



able for sale, they tend to get bought by foreigners.

“If you look at where the liquidity in the world is, at the moment, it’s in the oil producing countries. So it’s hardly surprising that when a high value trophy asset comes up for sale, you’re likely to find bidders from that part of the world.

“If you start to take the view that that means you can’t ever sell an asset to anyone who doesn’t agree with everything you do, that starts to look like an impediment to value, and that will simply drive investors away from the UK ... we’re dependent on foreign direct investment. We need to be pragmatic.”

Hammond, an experienced businessman with interests ranging from property and manufacturing to health-care before he was elected as an MP in 1997, wants to talk about one of his more recent appointments, which he says involves addressing the lack of UK investment he refers to. He has joined the

tax advisers RCK Partners as senior strategic adviser, a role he says involves helping to drive up standards in an industry where certain players are accused of contributing to a wave of fraud and error in one of the nation’s key industrial policies.

An investigation by this newspaper