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Resolution letter: Rt Hon. Jacob Rees-Mogg MP

22 December 2021

5 I wrote to you on 29 November 2021 to tell you that I had begun an inquiry into your allegation that Rt Hon. Jacob Rees-Mogg MP had breached paragraph 14 of the Code of Conduct for Members.

My investigation focused specifically on whether Mr Rees-Mogg had breached paragraph 14 of the Code by failing to register several Director's loans, taken out from Saliston Limited during the period 2017 to 2020, under paragraph 7(b) of the Guide, which states:

10 *Under this category Members must register:*

Any of the following received as a director or employee or earned in any other capacity:

....

b) Taxable expenses, allowances and benefits such as company cars

15 Having considered the matter carefully, I have concluded that the evidence does not demonstrate that a breach of the rules has occurred. I will publish my full decision and the written evidence pack shortly on my webpages and I will report the outcome to the Standards Committee in due course.

20 Thank you for bringing this matter to my attention. I confirm that the matter is now closed.

Written evidence

1. Letter from the Commissioner to Rt Hon. Jacob Rees-Mogg MP, 29 November 2021

5 Following receipt of an allegation I have received from [the complainant] about your compliance with paragraph 14 of the House of Commons Code of Conduct for Members, I have decided to open a formal inquiry. I enclose a copy of [the complainant's] submission and the enclosures sent with it.

The scope of my inquiry

10 My inquiry will focus on the allegation that you have acted in breach of paragraph 14 of the House of Commons' Code of Conduct for Members by failing to register three Director's loans in the Register of Members' Financial Interests ("the Register"). I must stress that this is an allegation only, and no decisions have been made if a breach has occurred. If the scope of my inquiry changes, I will update you in writing.

15 **The relevant rules of the House**

The overarching rules are found in the House of Commons' Code of Conduct for Members. Paragraph 14 of the Code states:

20 *Members shall fulfil conscientiously the requirements of the House in respect of the registration of interests in the Register of Members' Financial Interests. They shall always be open and frank in drawing attention to any relevant interest in any proceeding of the House or its Committees, and in any communications with Ministers, Members, public officials or public office holders*

25 The Guide to the rules relating to the conduct of Members, which is appended to the Code, contains more detail about the registration of financial interests. Chapter 1, paragraph 2 states:

30 *The House requires new Members, within one month of their election, to register all their current financial interests, and any registrable benefits (other than earnings) received in the 12 months before their election. After that, Members are required to register within 28 days any change in those registrable interests. Such a change includes both the acquisition of a new interest and the ceasing of any registered interest, for example because an employment has ceased or because a holding has reduced in value or been sold.*

The Guide continues by outlining in Chapter 1, paragraphs 6 to 14, the requirements about registering employment and earnings ("category 1"). Paragraph 7 states:

Under this category Members must register:

Any of the following received as a director or employee or earned in any other capacity:

....

b) Taxable expenses, allowances and benefits such as company cars

Next steps

I would welcome your comments on the allegation that your alleged actions have amounted to a breach of paragraph 14 of the Code of Conduct for Members. I would also be grateful for your answers to the following specific questions. It would be helpful to receive any evidence to support your responses when you reply to this letter. Any other points you wish to make to help me with this inquiry would also be welcome.

- 15 1. Have you taken any loans out from Saliston Limited?
2. If so, please can you confirm:
 - a) Were these Director's Loans?
 - b) What was the date that each loan was taken out?
 - c) What was the value of each loan?
 - 20 d) Whether the loans have been repaid and, if so, the date each loan was repaid; and
 - e) Whether you were a Director of Saliston Limited at the time of each loan.
- 25 3. If you have taken any Director's Loans out from Saliston Limited, please could you comment on whether you believe these loans are a registerable interest under paragraph 7b of Chapter 1 of the Guide as per above.
4. As this is an inquiry about the registration of interests, please could you also take this opportunity to review your Register entry and confirm that you are satisfied that it is otherwise complete and accurate.

Important information

My inquiries are conducted in private. However, following the decision taken by the House on 21 April 2021, I will shortly publish on my webpages the fact that I am conducting an inquiry about your alleged breach of the Code of Conduct. If
5 contacted, my office will not comment on any aspect of this specific inquiry to third parties. They will answer direct factual questions about the processes I follow, and the standards system more generally, but will not provide any comment or details about the particulars of this inquiry.

10 This letter and any subsequent correspondence between us in connection with this inquiry is protected by parliamentary privilege. It should be kept confidential until the outcome of my inquiry is published. The same requirement extends to [the complainant].

15 The Members' Services Team (MST) can support and signpost you and/or your staff to appropriate support services. You can contact them confidentially on 020 7219 4141 or at mst@parliament.uk for a range of issues, including support with handling the impact of media attention.

Procedure

20 I enclose a copy of the Commissioner's Information Note, which sets out the procedure for inquiries. Please note that this has not yet been updated to reflect the changes flowing from the decision of 19 July 2018.

While I do not, at this stage, know whether it will be necessary to interview you about this matter, it would be open to you to be accompanied at any such interview. I am, of course, very happy to meet with you at any stage if you would find that helpful.

25 I should say now, as a matter of courtesy, that I may seek the advice of the House authorities and others as part of this inquiry. If I do so, I will share that correspondence with you.

30 Information provided to me during the course of my inquiry will be retained, and disposed of, in accordance with the House of Commons' Authorised Records Disposal Policy.

Potential outcomes

35 Inquiries are generally concluded in one of three ways. If the evidence does not substantiate the allegation, it will not be upheld. If the evidence demonstrates a breach of the rules, I may, in circumstances defined by Standing Order No. 150, uphold the allegation and conclude the inquiry using the rectification procedure,

without making a referral to the Committee on Standards. Where an allegation is not upheld or is rectified, the investigation material, including our correspondence, will be published on the Parliament website.

5 If I uphold the allegation, and it is either unsuitable for the rectification procedure, or you do not accept my decision, I must make a referral to the Committee on Standards. My memorandum to the Committee will be published as an appendix to the Committee's own Report.

10 Regardless of the outcome of my inquiry, I must emphasise that all the relevant evidence, including our correspondence, will be published when this inquiry is concluded. I routinely redact the personal data of third parties unless it is relevant to my decision(s). Please tell me if you provide sensitive material that you think I should redact. I will consider carefully any such request.

Action

15 I would be grateful to have your response to this letter as soon as possible and no later than **13 December 2021**. Please let me know before that date if you require more time to respond.

20 If you would prefer me to communicate with you by email, or via a different postal address, please give the details when you reply to this letter. It would also be helpful if you were willing to provide a telephone number through which I might contact you.

Due to the current restrictions in place in Parliament, my team are largely working from home, so I would be grateful if you could send your response electronically to; standardscommissioner@parliament.uk

Thank you for your cooperation with this matter.

25 **Enclosure 1: the complainant's submission of 15 November 2021**

This is a complaint relating to the Right Hon Jacob Rees-Mogg MP.

30 I believe that publicly available documents indicate grounds for believing that he may have failed to adhere correctly to the Code of Conduct for Members of Parliament Part V(13) which states 'Members shall fulfil conscientiously the requirements of the House in respect of the registration of interests in the Register of Members' Financial Interests. They shall always be open and frank in drawing attention to any relevant interest in any proceeding of the House or its Committees, and in any communications with Ministers, Members, public officials or public office holders.'

In particular, and in relation to loans that he received from Saliston Ltd (company number 03114488), of which Mr Rees-Mogg is a shareholder/director, the public record suggests that he may have not complied with his obligations to register taxable benefits received (Guide to Rules, part 7).

- 5 Mr Rees-Mogg borrowed money from Saliston Ltd in 2018, 2019 and 2020. You will be aware that loans to shareholders who are directors are a taxable benefit to the extent that the interest they pay does not match the official rate (currently 2.5% pa). Additionally, if the loan is more than £10,000 it must, in any case, be treated as a benefit in kind and National Insurance (a tax) must be deducted
 10 (<https://www.gov.uk/directors-loans/you-owe-your-company-money>). As such, it would appear that there are circumstances in which a loan to an MP who is a shareholder/director should be declared on the MPs' Register of Financial Interests.

- 15 Some background to this story is provided in an article in the Mail on Sunday of 14 November 2021 (copy attached). This is referenced as context and my complaint does not rely upon it, but rather the accounts of Saliston Ltd as deposited at Companies House (copies attached).

- 20 It should be noted that the accounts of Saliston Ltd are (quite lawfully) unaudited, make mention of no accountant and the company takes advantage of legal exemptions which mean no profit and loss account is provided – they are very brief accounts.

Mr Rees-Mogg holds a director's loan account with Saliston Ltd. Over 2018-2020, it looked like this:

	Opening balance	Loaned	Interest	Repaid	Outstanding	Interest rate stated
Year ended 31/3/2018	0	2,939,790	0	41,753	2,898,037	3.5%
Year ended 31/3/2019	2,898,036	2,314,811	46,915	5,171,185	88,577	2.5%
Year ended 31/3/2020	88,577	701,513	2,030	716,272	75,848	2.5%
Totals		5,956,114	48,945	5,929,210		

- 25 In 2018 the accounts do not show that Mr Rees-Mogg paid any interest. The amount repaid plus the closing balance equals the amount advanced – again suggesting that no interest was paid. This loan was in excess of £10,000, thereby had to be treated as a taxable benefit and so National Insurance should have been applied. Mr Rees-Mogg appears not to have made a declaration of any benefit in the Register of Financial Interests.

In 2019 there's a sizeable interest charge. But without details of when money was borrowed/repaid it is impossible to tell whether or not the full 2.5% rate was applied. The interest charged equates to an average debt for the year of £1,876,600, whilst some £5,212,847 was advanced to Mr Rees-Mogg. In any case, the loan exceeded £10,000 and so should've been treated as a benefit and subject to National Insurance. Mr Rees-Mogg appears to have made a declaration of any benefit in the Register of Financial Interests.

In 2020 there is a small interest charge equivalent to an average loan of £81,200. This broadly equates to the opening and closing balances, yet Mr Rees-Mogg also borrowed a further £701,513 in the year. Unless this large sum went in and out instantly, I cannot see that he has paid interest on it. In any case, the loan exceeded £10,000 and so should've been treated as a benefit and subject to National Insurance. Mr Rees-Mogg appears not to have made a declaration of any benefit in the Register of Financial Interests.

There is a further issue. Note 7 in the 2018 accounts state that the company borrowed £2,732,500 in the year. It made no apparent investments and so it is likely that this money was used to fund the near-identical sum lent to Mr Rees-Mogg. If so, the cost of this borrowing cannot be regarded as a legitimate trading expense of Saliston Ltd and would be an expense incurred for the benefit of Mr Rees-Mogg. I would argue that, as such, would constitute a taxable benefit to him as Saliston Ltd will have, effectively paid his costs on his behalf. If so, it should have been declared on the Register of Financial Interests I think this issue, and whether it has been appropriately declared, needs further investigation.

Whilst, from the evidence available, nothing is conclusive, I do feel that these matters require your urgent investigation and look forward to hearing from you.

Enclosure 2: Saliston Limited public accounts 2017/18 (not reproduced here)

Enclosure 3: Saliston Limited public accounts 2018/19 (not reproduced here)

Enclosure 4: Saliston Limited public accounts 2019/20 (not reproduced here)

29 November 2021

2. Letter from Rt Hon. Jacob Rees-Mogg MP to the Commissioner, 7 December 2021

Further to your letter of the 29th November I am pleased to be able to answer your questions. For your information this schedule has been drawn up for me by Steele, Robertson, Goodard and Co. who have been my accountants since 1987 and have a full understanding of my affairs. Nonetheless, as they remind me each year when completing my tax return, the responsibility for the accuracy of the figures is mine.

1. Yes, I have taken loans from Saliston.
2.
 - a) Yes, but continued after I ceased to be a director.
 - 5 b) All debits and credits are taken to one loan account with the company.
 - c) The attached document summarises the loan account with supporting schedules reporting the detail of the debits and credits.
 - d) Schedule A summarises the loan account credit and Schedule C provides a detailed listing of the monies I provided to the company, which are recorded as credits to the loan account.
 - 10 e) No, I resigned as a director on the 25th July 2019.
3. I have not received any taxable expenses, allowances or benefits. No tax has been chargeable on the loans as I paid an amount equal or in excess of HMRC's official rate for beneficial loan arrangements.
- 15 4. I believe my declarations are up to date and I recently sought advice on a particular matter from the Registrar.

20 The real question at issue is whether a loan falls under 7(b), if it does not the detail of the loans are not relevant to the enquiry. It seems clear that as it is not taxable, it is not covered. As regards Paragraph 14 of the Code, I have, since first elected, declared my 100% ownership of Saliston which shows that its assets are available to me but that it cannot influence me by any payments because no action of mine could persuade the company to give me a higher or lower reward than that of full ownership, which is fully declared.

25 I believe my record of declarations, and on occasion enquiries to the Registrar, show that since elected I have tried conscientiously to declare my interests and have never sought to be anything other than frank with the House.

I hope this answers all your questions, in response to a separate point I am happy for replies to be sent either to this official email address or to my personal one.

30 I would of course be happy to meet to discuss any of these points, at your convenience, if you think this would be useful.

Enclosure 1: Schedules for Saliston loan account for financial years 2017/18, 2018/19, and 2019/20 (not reproduced here)

7 December 2021

3. Letter from the Commissioner to Rt Hon. Jacob Rees-Mogg MP, 16 December 2021

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Thank you for your letter of 7 December 2021 and for your prompt cooperation with my requests.

10 It is my usual practice for inquiries that involve an allegation about the registration of an interest to take advice from the Registrar of Members' Financial Interests. However, on this occasion I am satisfied that your letter, and your earlier letter of 16 November 2021, have provided me with sufficient evidence to reach a decision. I have decided not to uphold the complaint and find no breach of the Code of Conduct for Members of Parliament ("the Code").

Rationale

15 As you will recall, I opened my inquiry following an allegation from a member of the public that you had breached paragraph 14 of the Code by failing to register several loans, taken out from Saliston Limited during the period 2017 to 2020, under paragraph 7(b) of the Guide to the Rules relating to the Conduct of Members ("the Guide"), which states:

20 *Under this category Members must register:*

Any of the following received as a director or employee or earned in any other capacity:

b) Taxable expenses, allowances and benefits such as company cars

25 Before a financial interest can become liable for registration, it must pass two initial tests that underpin, firstly, the scope of the Code of Conduct, and, secondly, the purpose of registration. The first of these two tests, which defines the scope of the Code of Conduct, is laid out at paragraph 2 of the Code and states:

30 *The Code applies to Members in all aspects of their public life. It does not seek to regulate what Members do in their purely private and personal lives*

The second test, which outlines the spirit and purpose of registration, is detailed at paragraph 4 of Chapter 1 of the Guide and which states:

5 *When considering registration, Members are also required to keep in mind the overall purpose of the Register, which is to provide information about any financial interest or other material benefit which a Member receives which might reasonably be thought by others to influence his or her actions, speeches or votes in Parliament, or actions taken in his or her capacity as a Member of Parliament.*

10 I have considered these two tests carefully in light of the evidence provided by your two letters. I have been particularly mindful of the purposes for which these loans were taken out, that you are, and were at the time of these loans, the sole owner of Saliston Limited, and the nature of Saliston Limited.

15 As a result, it is my decision that these loans were connected solely to your private and personal life. I am also not satisfied that these loans could reasonably be thought by others to influence your actions, speeches or votes in Parliament, or your actions taken in your capacity as a Member of Parliament; as such, it is my conclusion that these loans do not fit with the spirit or purpose of registration. It is my conclusion that these loans do not pass the two initial tests laid out above and I have therefore decided not to uphold the complaint and find that no breach of paragraph 14 has occurred.

Next steps

20 I enclose a copy of the written evidence pack, which includes the correspondence exchanged during the investigation. In this pack you will find at page 2 a draft copy of the letter I plan to send to the complainant. While the content of the letter is a matter for me alone, I would welcome any comments on the factual accuracy of this and of the written evidence pack. The complainant's name will be redacted from the
25 published pack; please let me know if there are any further redactions you think should be made, and I will consider your request.

I would be pleased to receive any comments you wish to make on these items as soon as possible, and no later than **6 January 2022**.

30 Once I have any comments you wish to make, I will finalise the pack, which will then be published on my webpages. I will notify you of the publication of the pack. I will also notify the Committee on Standards of the outcome of my inquiry in due course. In the meantime, our correspondence continues to be protected by parliamentary privilege. Until I send you, and the complainant, letters concluding the inquiry, this matter should remain confidential.

35 Thank you again for your prompt and full co-operation with my inquiry.

16 December 2021